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Analysis of the Patent Law.  
Activities of the Farmers' Bank since the Victory.  
Cigarette Industry in Shanghai and Tobacco Problems in China.  
The Rubber Industry in China.

ANNEX

Rules Governing the Application of the Revenue Stamp Duty Law.  
Commodity Tax Regulations.  
Regulations Governing Application for Registering Profit-seeking Enterprises and Business Offices of Members of Liberal Professions.  
Rules Governing the Collection of the Business Licence Tax in Shanghai.

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BUREAU DE DOCUMENTATION  
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Tel. 85761Cigarette Industry in Shanghai  
and Tobacco Problems in China.STUDY NO.: XVII  
Number of pages: 12Articles and reports digested and combined  
in this Study:

- "Ministry of Agriculture & Forestry to Increase Tobacco Production", Shang Pao, May 17, 1947.
- "The Shaken-up Cigarette Industry", by Chi Ch'ung-wei, Ta Kung Pao, June 24, 1947.
- "The Hsueh'ang Tobacco", by Wang Chi-ping, Aug. 4, 1947.
- "The Crisis of Cigarette Manufacturing and Policy Required", by Chao Chu-chi, the Economic Semi-Monthly of the Hopeh Provincial Bank, Aug. 16, 1947.
- "Past and Present Conditions of China's Cigarette Industry", by Chen Yih, the Economics Weekly, Aug. 21, 1947.
- "A Study on China's Tobacco Export", by Chang I-pin, the Economics Weekly, Oct. 24, 1947.
- "Abundant Output of American Tobacco in Kweichow", Sin Wen Pao, Oct. 27, 1947.

(Continued in the note on page 12)

CIGARETTE INDUSTRY IN SHANGHAI  
AND TOBACCO PROBLEMS IN CHINA.

Since the introduction of the first cigarette making machine into this country (1891) cigarette manufacture has gradually become the third in importance among Chinese light industries, next to textile and flour milling. To-day, the number of workers employed directly in the production of cigarettes approximates to 100,000 and that of tobacco farmers to 2,000,000.

Since the War, cigarette making in the whole of China is said to average 250,000 cases of 50,000's per month, an increase of about 30% over the pre-war output of 190,000 cases (including Manchuria) <sup>1)</sup>. On the other hand, the national

NOTE: 1) Chen Yih: "Past and Present Conditions of China's Cigarette Industry" (The Economics Weekly, August 21, 1947.

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consumption, according to an estimate which appeared in Shang Pao, May 17, 1947, requires a minimum of 2,000,000 cases yearly.

From the fiscal point of view, this industry provides important revenue as both cigarettes and domestic tobacco leaf are taxed, at 100% and 30% respectively, by the Government. In 1947, for example, a sum of CN\$1,591,323,272,228 (excluding Manchuria) was collected from the levy on a total of 2,082,698 cases of cigarettes alone.

According to the tax collection offices the number of cigarette factories operating to-day throughout the country is over seven hundred 1).

Northeastern Provinces :		Central and West China :	
Liaoning-Antung	14	Chungking	41
Kirin-Liaopei	2	Szechuan-Sikang	26
North China :		Kiangsi	4
Tientsin	19	Hupei	28
Tsingtao	4	East China :	
Shantung	27	Shanghai 2)	71
Shensi	13	Kiangsu	31
Shansi-Suiyuan	4	Chekiang	42
Hopeh-Jehol-Chahar	5	Anhui	67
Honan	150		
South China :			
Kwangtung	50		
Kwangsi	28		
Fukien	17		
Yunnan-Kweichow	32		

The above table, however, tells very little about the real situation of the cigarette industry in China. Most of the factories recorded are small enterprises where cigarettes are hand-rolled and supplied for local consumption only. As in other industries in China the cigarette industry is concentrated in Shanghai which really furnishes the supplies for the national consumption.

#### I. - The Yee Tsong Tobacco Company.

Except the Yee Tsong Tobacco Company, formerly the British American Tobacco Company, large-scale cigarette factories are few in Shanghai, the majority being of medium or small size. Altogether they possess only 625 cigarette making machines with a total output of 130,000 cases of 50,000 cigarettes per month as recorded for March 1948. Since April the production has dropped to 80,000 cases owing to the sharp decline of export demand which

NOTES: 1) Shang Pao, April 7, 1948.

2) There are 105 member factories in the Cigarette Manufacturers' Guild in Shanghai according to "Cigarette Industry in Shanghai", Chin Yung Jih Pao, April 12, 1948.

started a year ago especially in North China: the monthly sales to the Peiping-Tientsin area during the months of March and April in 1947 were of some 30,000 cases; but less than 3,000 cases monthly are being sold there to-day as reported by the local Ta Kung Pao 1).

The Yee Tsoong Tobacco Company leads in production as well as distribution, with well-equipped factories located not only in Shanghai but also in the principal Chinese cities.

Regions	Cities	Yee Tsoong Factories (before 1943) Companies Controlled by Yee Tsoong	No. of Fty.	No. of Ciga- rette Making Machines
NE	Fengt'ien	Chi Tung Tobacco Co.	1	81
	Yingkow	Chi Tung Tobacco Co.	1	
	Harbin	"Lao Pa To" Tobacco Co.	1	30
N. China	Tientsin	Yee Tsoong Tobacco Co.-	1	98
	Tsingtao	- do -	1	74
C. China	Shanghai	Tobacco Products Corp.	2	173
		Yee Tsoong Tobacco Co.	1	
	Hankow	- do -	2	90
S. China	Hongkong	- do -	1	20
TOTAL			11	566

With the above equipment Yee Tsoong alone could easily furnish 56,600,000,000 cigarettes yearly or 60% of the total annual output in China 2). The distribution of Yee Tsoong cigarettes covers also the whole country by a network of distributing companies controlled by the Yee Tsoong: the Yee Tsoong Tobacco Distributors, Ltd., the Wing Tai Wo Tobacco Company and the Chi Tung Tobacco Company, each of which enjoys exclusive selling rights in a specified region with a great number of "special agents" and "special wholesale agents" as sub-distributors.

The cigarette output in the whole of China in 1947 was 2,082,698 cases, an increase of 60% over the 1,250,000 cases produced in 1946. In Shanghai the Yee Tsoong factories reached the following figures as compared with the Chinese factories during the last two years:

	Output (case)	Commodity Tax (CN\$)
1946		
Shanghai	854,128	174,090,020,500
Yee Tsoong & T.P.C.	123,773 (14.5%)	35,209,473,200 (20.2%)
1947		
Shanghai	1,398,890	1,309,119,245,600
Yee Tsoong & T.P.C.	246,132 (17.59%)	371,670,711,800 (28.39%)

NOTES: 1) Re: Bankers' Weekly, Vol. XXXII No. 22 dated May 31, 1948, page 40.

2) Cf. Shih Liang: "A Study on the British American Tobacco Trust in China", in Chung Yang Jih Pao, Shanghai Edition, June 2, 1947 issue.

Since June 1947, when the working system was restored to 6 days per week, the output of Yee Tsoong factories in Shanghai has reached about 30,000 cases monthly. On the contrary, the Chinese factories have had to face a downward trend since April 1947.

It is often argued that three main factors among many actually favour the position of the Yee Tsoong Tobacco Company.

i/ The restrictions affecting imports of cigarettes since November 1946 have given rise to an increasing demand for the Yee Tsoong brands, which are comparatively less costly than the imported cigarettes. The imported products, mostly of American make, are blended cigarettes which the majority of Chinese do not prefer while the Yee Tsoong cigarettes are made to their taste, and were popular with them long before the War.

ii/ As the supply of domestic tobacco is limited by the civil war the Chinese factories have to rely on foreign supply which is undertaken by the import merchants and indirectly augments the cost of production. Such difficulties are lessened for Yee Tsoong since importation is directly made by the Company.

iii/ The Yee Tsoong is in a better position to produce than any of the Chinese factories on account of its huge capital and it is easier for it to obtain credits and raw materials than for the Chinese factories.

## II. - Chinese Companies Manufacturing Cigarettes.

Among the many Chinese companies only a few deserve a special mention.

1. The China Tobacco Company, a government enterprise under the Ministry of Economic Affairs, comprises three main factories taken over from the Japanese after V-J Day. Its output varies between 8,000 and 10,000 cases monthly, which shows a considerable increase over its 1946 output of 55,335 cases. The "Marshall", "All Six" and "Compass" enjoy a good market throughout the country; one-fourth of them are sold in Shanghai and the rest in the following regions: Hupeh, Eastern Chekiang, districts along the Shanghai-Nanking and the Shanghai-Hangchow railways; Hunan, Anhwei, Honan, Shensi, Kansu, Tsingtao, Szechuan, Kweichow and Yunnan. The assets of this company appraised in the early months of 1947 were said to reach CN\$38,000,000,000.

2. The Hwa Ching Tobacco Company (established in 1924) used to produce 20,000 cases monthly before the War, and is issuing 6,000 cases to-day. One-third of its "My Dear" and "Golden Rat" are sold in Shanghai and two-thirds in the outports, mainly in the districts along the Shanghai-Hangchow railway and also in Hankow, Hsuehchow (N. Kiangsu), Tientsin and Canton.

3. The Nanyang Brothers Tobacco Company (established in 1906) was before the War the leading cigarette factory under Chinese ownership, with a monthly output of 18,000 cases. To-day only 2,000 cases are produced per month of which 25% are sold locally and 75% to outports, mainly districts along



the Shanghai-Nanking and Shanghai-Hangchow railways, Kwangtung, Fukien, Lanchow and Sian. Besides the Shanghai factory, there are others in Chungking, Hankow and Canton. Their production is comparatively small as they are hindered by shortage of raw materials and equipment. The "Banker", "Golden Dragon", "White Dragon", "Pearls", "Seven Stars" and "Sword" are Nanyang products.

4. The Ta Tung Nan Tobacco Company (established in 1925) has a daily output of 200 cases of "Brandy" cigarettes with a fifty-fifty market in Shanghai and in the outports. The "Brandies" are made from American leaves (70%) and flue-cured tobacco (30%) and are very popular in the districts along the Shanghai-Nanking and Shanghai-Hangchow railways, the river ports along the Yangtze, North Kiangsu and North China.

5. The Chin Hwa Tobacco Company (established in 1944) is a "big business organization" among the small-scale cigarette factories in Shanghai. The present output is 200 cases per day which if necessary can be increased to 300. The "Coffee" cigarettes, the only brand produced by Chin Hwa, are made especially for outport consumption and have a good reputation similar to the "Pirates" and "Ruby Queens", both Yee Tsoong products. The "Coffee" used to have a wide market in the Northeastern Provinces but to-day they are confined to Peiping, Tientsin and Tainan in the north, Nanking and Hankow along the Yangtze; Sian, Lanchow and Tihwa in the Northwestern Provinces. The local market takes up only one-twentieth of the whole output of this company.

6. The Chung Wei Tobacco Company (established in 1946) produces 200 cases per day and has a good market outside Shanghai. The present output is 170 cases daily of which 25% are sold in Shanghai. "Three Stars", "Ingot" and "Black Label" are products of this company.

7. The Hwa King Tobacco Company (established in 1942) used to produce more than a dozen kinds of cigarettes. To-day, the "Million Dollars" are specially made for sale in Shanghai, the "Conklin" for North Kiangsu, and the "Indian" and "Blue Crusade" for other regions, with sub-distributing offices located in Nanking, North Kiangsu, Tientsin, Hangchow, Hankow and Fukien.

8. The Forward Tobacco Co., Ltd., established near the end of the War, has a daily output of 100 cases mainly of "White Horse", "White Horse, Magnum" and a small proportion of "Forward" cigarettes. These cigarettes are popular in both the local and outport markets.

9. The Ta Chung Hwa Tobacco Company (established in 1946) has a maximum production of 90 cases per day. The "Kores" has a good market both in Shanghai and at Kiukiang and Nanch'ang in Kiangsi. The tobacco of Hsueh'ang (Honan) is mainly used in the "Kores", as well as in the "Horse Shoe" and "Incense Burner".

### III. - Main Problems Facing The Cigarette Industry.

Despite the fact that imported cigarettes 1) have an important position on the local market, they do not constitute an important threat to the manufacturers, whose customers are in the interior cities and villages. Cigarettes imported into China are centered in Shanghai; only a relatively small quantity is redistributed to a few other Chinese cities.

There are many difficulties affecting the Chinese industries as a whole under the prevailing abnormal conditions and the cigarette business is no exception. The main ones are summarized as follows:

The market already narrowed by civil war is again threatened by strong competition among the cigarette factories especially in such a time of inertia on the market. Since credit is not obtainable from the Government banks and since recourse to private loans would mean an abnormally high rate of interest, there is nothing left for the cigarette factories but to sell their products at a low price in order to obtain a much needed working capital. The reduction in price then affects the whole market through a very unsound competition..

On the other hand, shortage of raw materials is a very actual problem to the cigarette factories, as many of them rely largely on imported tobacco to maintain production. American tobacco is used in the making of quality cigarettes but the supply is insufficient to meet the demand on account of import restrictions. The domestic tobacco of American origin, which we shall deal with later on, cannot supply enough for the Shanghai factories on account again of the civil war. Under the prevailing restriction import quotas for 1947 and for the 5th and 6th quarters in 1948 are shown as follows:

			Approx. Quantity of Tobacco Ob- tainable (@ US\$ 0.50 per lb.)
1st. Quarter	(Feb. - Apr. '47)	US\$8,000,000	16,000,000 lbs.
2nd. Quarter	(May - July '47)	8,000,000	16,000,000 lbs.
3rd. Quarter	(Aug. - Oct. '47)	5,000,000	10,000,000 lbs.
4th. Quarter	(Nov. '47-Jan. '48)	5,000,000	10,000,000 lbs.
5th. & 6th. Quarters	(Feb. - July '48)	8,000,000	16,000,000 lbs.
TOTAL		US\$34,000,000	68,000,000 lbs.

Affected by the limited supply of tobacco and the restricted market, many of the Chinese cigarette factories have had to reduce their production and take up something more

NOTE: 1) The importation of cigarettes has been prohibited since Nov. 1946. Those actually sold in China come either from previous stocks or through smuggling.

lucrative than cigarette manufacturing - the hoarding of tobacco. This new trend has given rise to suspension of night shifts or temporary closing down under the pretext of machinery renovation and caused many cases of labour disputes in 1947.

Although China is self-sufficient in tin foil <sup>1)</sup>, cigarette paper has to be imported in order to cover the shortage. The Min Feng Paper Mill in Shanghai, now producing 30,000 bobbins of 4,000-metres per month, has installed another machine which will bring its production up to 60,000 when some parts still lacking have arrived. Meantime, it is estimated that 190,000 bobbins will still have to be imported monthly to supply for the consumption of the entire country <sup>2)</sup>. The actual import of cigarette paper during the past two years is given as follows according to the Chinese Maritime Customs:

1946

CHINA	4,240,172 Kgs. (1,557,557 bobbins) <sup>3)</sup>
Shanghai	3,974,188 Kgs. (1,459,852 bobbins)

1947

CHINA	3,258,059 Kgs. (1,196,794 bobbins)
Shanghai	2,892,990 Kgs. (1,062,692 bobbins)

These imports came mostly from USA which sent 4,091,282 Kgs. and 2,666,969 Kgs. into this country in 1946 and 1947 respectively. French products supplied 115,041 Kgs. in 1946 and 167,440 Kgs. in 1947. Under the barter system cigarette paper delivered by the Japanese up to December 1947 totalled 2,125 cases of 40 bobbins each, according to the United Credit Information Bureau. According to the Customs records a total of 256,646 Kgs. was imported from Japan in 1947.

IV. - American Seed Tobacco.

Although China is known as one of the leading tobacco growing countries not only is her output insufficient for domestic consumption, but a great deal of her leaf is unfit for cigarette manufacturing. In the following paragraph tobacco for native-style smoking is not considered and only the flue-cured American type tobacco is referred to.

NOTES: 1) Local production of tin foil as investigated by the Industrial & Commercial Guidance Bureau and published in the National Journal of Commerce (Sept. 1947 issue) is sufficient to supply the cigarette industry of the whole country with a monthly output of 20,000 cases.

2) From other sources it is learned that Min Feng contemplates another plant at Hangchow (Chekiang) to produce another 30,000 bobbins monthly. This would reduce the needed import to 160,000 bobbins.

3) The average weight of a 4,000-metre bobbin is 6 lbs.

Plantation of American seed tobacco is mainly centered in three provinces, namely, in Shantung (Tsingchow), in Honan (Hauch'ang) and in Anhwei (Pengg'u).

During the war, plantation of American seed tobacco was taken up in Yunnan with great success as far as quality is concerned. Recently Kweiting, southeast of Kweiyang (Kweichow), has started producing tobacco which mellowes well, with a leaf very similar to that of Kentucky. The Nanhsiung leaf produced in Kwangtung is of inferior quality compared to others previously mentioned. 1)

The 1946 crop for the whole of China totalled 95,000,000 lbs, which when processed into "flue-cured" tobacco, corresponds to not more than 600,000 cases of cigarettes.

The 1947 crop of flue-cured leaf tobacco was expected to total 130,000,000 lbs., still some 50% short of the nation's requirement. The output of Shantung, Honan and Anhwei in 1946 and the estimated crop (including Yunnan) for 1947 are shown as follows:

	Pre-war Annual Output	1946 Output	Estimated Crop for 1947
Shantung	125,000,000 lbs.	20,000,000 lbs.	25,000,000 lbs.
Honan	50,000,000	60,000,000	70,000,000
Anhwei	30,000,000	8,000,000	30,000,000
Yunnan	-	-	6,000,000

The tobacco shortage is further illustrated in another report given by the United Credit Information Bureau 2) which revealed that the present output of flue-cured tobacco is approximately 140,000,000 lbs. against a demand of 250,000,000 lbs. for the cigarette making machines in operation to-day in this country. The shortage would reach 210,000,000 lbs., if full operation of all the machines was resumed.

With such insufficient crops substantial quantities of imports will continually be required if the level of China's consumption is to be maintained. But such imports depend upon the availability of foreign exchange and on the import control policy of the Government, and, as previously stated, the quotas are being curtailed by the Import-Export Board.

With a view to satisfying China's requirements, a special organ, the Bureau of Tobacco Improvement, was created by the Ministry of Agriculture and Forestry in the early part of 1947. This Bureau, dealing mainly with the increase of tobacco production, handles also matters concerning improvement and conservation of seed, methods of planting, prevention of insect diseases, methods of tobacco curing and research concerning marketing.

NOTES: 1) Despite this fact a certain "Universal Tobacco Company" of USA has planned to put up a cigarette manufacturing plant in Kwangtung, the local Sin Wen Pao (Feb. 2, 1948) reported. This Company would use the Nanhsiung leaf exclusively, improving the plantations under the direction of the U.T.C.

2) Chin Yung Jih Pao, May 7, 1948.

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A six-year plan drawn up by the Bureau, sets the goal of self-sufficiency to be attained in two periods: The first aims at bringing the crops of Shantung, Honan and Anhwei to 250,000,000 lbs. within the first four years, and the second, for the remaining two years, aims at further bringing the output of Honan, Shantung, Anhwei, Yunnan, Kweichow, Szechuan, Taiwan and the Northeastern Provinces to 350,000,000 lbs.

This programme also includes the experimental improvement of the quality of the tobacco seed, but increase of production is nevertheless the primary necessity. Owing to the widespread civil warfare in Shantung and Honan, the centre of development has shifted from these provinces to Anhwei.

#### V. - Present Conditions by Provinces.

1. Anhwei: The climatic conditions in North Anhwei are especially favourable to plantation <sup>1)</sup> of American seed tobacco. Under the Bureau of Tobacco Improvement, P'engpu, Fengyang, Tingyuan, Huaiyuan, Lingpi and Chiashan have been chosen as principal development and promotion districts. The tobacco fields cover some 260,000 mow (1 mow = 6.744 ares) with a total crop of 500,000 tan (1 tan = 60.478 Kgs) of good quality leaf, of which the "Fu Kwang", of Virginian origin, is the best known. The number of curing chambers as reported by Shang Pao (June 4, 1948) reaches 17,000.

Seeds distributed to the principal districts:

	<u>Acreage (mow)</u>	<u>Seeds (shih chin) 2)</u>
P'engpu	5,362	54
Fengyang	30,634	310
Tingyuan	32,770	330
Huaiyuan	16,817	175
Lingpi	32,006	325
Chiashan	8,007	83

Development areas of secondary importance include Szuh sien, Wuho, Hech'iu, Fengt'ai, Shouhsien and Fuyang covering a possible area of 128,328 mow with 13,055 shih chin available for distribution.

A model tobacco centre has been created at T'ang-chiahu, in the vicinity of P'engpu, where experiments will be carried out by the Anhwei Development Station. Meantime, technical advice as well as free distribution of chemical fertilizers (the latter depending on appropriation by the Ministry of Agriculture and Forestry) are being sponsored by the Station to bring about an increase of tobacco production in this province.

NOTES: 1) Anhwei soil however is usually considered too heavy to give very satisfactory results.

2) One shih chin = 0.50 Kg. or 1.102 lbs.

Besides agricultural loans, the Farmers' Bank of China also makes "Tobacco production loans". The amount of the latter issued in Anhwei has reached CN\$140,000,000,000 as reported by Shang Pao (June 4, 1948).

2. Honan<sup>1</sup>: There is not much to be said regarding the plantation of tobacco in this province, except that 150,000 mow of land will be planted this year according to the project of the Bureau of Tobacco Improvement. Since the fall of Hsueh'ang, distributing and collecting centre of Honan flue-cured tobacco, the condition of the plantations is unknown. Nevertheless, the area planted in 1947 was expected to increase by 20-30% the 656,000 mow cultivated in 1946 whose output reached 921,000 shih tan (1 shih tan = 100 shih chin), or 75% of its prewar level. 2)

3. Shantung: According to the Chin Yung Jih Pao, May 5, the development of American seed tobacco for the year 1948 has already been decided by the Department of Reconstruction of the Shantung Provincial Government and the Farmers' Bank of China on an area of 285,000 mow with an expected crop of 712,500 tan. The project however includes districts recently fallen to the Communists:

<u>Districts</u>	<u>Area (mow)</u>	<u>Expected Crop (tan)</u>
Weihhsien	35,000	87,500
Anch'iu	30,000	75,000
Ch'angle	30,000	75,000
Shoukuang	30,000	75,000
Itu	35,000	87,600
(Ts'ingchow)		
Linch'u	30,000	75,000
Lintzu	40,000	100,000
Huant'ai	30,000	75,000
Ch'angshan	25,000	62,500
TOTAL	285,000	712,500

Loans for the promotion will be made jointly by the Department of Reconstruction, the Bureau of Tobacco Improvement and the Farmers' Bank in the following manner:

For Production:

Fertilizer loans @ CN\$300,000 per mow CN\$85,500,000,000

For Processing:

Coal loans (for curing) @ CN\$250,000 71,250,000,000  
per mow

TOTAL CN\$156,750,000,000

From the same report it is learned that the seed conservation centre of Lintzu, closed since the Japanese invasion, will be reopened this year under the joint auspices of the School of Agriculture of the University of Shantung and the North China

NOTES: 1) Cf. MONTHLY BULLETIN No.V. (Feb. 1947), Document No.33, "Honan Flue-Cured Tobacco in 1946" by P'eng Hao-i.

2) Shang Pao, June 11, 1947.

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Breeding Station. An area of 150 mow will be used this year to grow 3,000 chin of high quality seed for future distribution. In another report of the Chin Yung Jih Pao May 7, 1948 it was disclosed that only 100,000 mow of tobacco will be planted this year by the Bureau of Tobacco Improvement in Shantung, with a loan of CN\$119,000,000,000 to be granted by the Farmers' Bank of China.

4. Kweichow: The output of Kweichow leaf of American origin is estimated to have reached 35,000,000 chin in 1947, during which year a large quantity of Kweichow tobacco was sent to Shanghai and Hankow. The sudden demand for this type of tobacco in the above mentioned cities was merely caused by the short supply of Honan and Shantung tobaccos. The development of Kweichow tobacco this year, according to the project of the Bureau of Tobacco Improvement, aims at 50,000 mow.

5. Yunnan: The plantation of American seed tobacco was introduced into Yunnan in 1942 with an initial area of 2,727.85 mow. In 1947, the total area reached 55,302 mow with an estimated crop, according to the Department of Reconstruction of the Yunnan Provincial Government, of 133,000 tan of tobacco (approx. 17,730,000 lbs.). 1) According to the Chin Yung Jih Pao, May 25, 1948, the Department of Reconstruction of the Yunnan Provincial Government has decided to plant 100,000 mow in 1948 providing sufficient quantity of tobacco seeds for distribution. The Department of Reconstruction, however, estimates that the 1948 crop should reach about 300,000 mow owing to the increased cultivation by individual farmers, attracted by the good profit obtained during the preceding years. This additional plantation may deteriorate the quality of Yunnan tobacco since the seed to be used by these farmers has been gathered from last year's crop without any authoritative supervision of the authorities, and is very much adulterated. On the other hand, proper government supervision is impossible as there are only a few specialists available in this province. The supply of chemical fertilizers is also insufficient and ree-seed cake, commonly used in Yunnan, often either causes red spots on the leaf or makes the leaf grow thick and of a deep colour unbleachable during the drying process.

The extension of tobacco plantation might also threaten, to a certain extent, the production of food crops in Yunnan. A reduction has already been remarked in Yuch'i, Ch'eng-chiang, Chiangch'uan, K'aiyuan and Huaning where tobacco is densely cultivated.

The transportation problem remains one of the chief difficulties for the tobacco farmers of Yunnan: 95% of their products depend upon marketing outside the province. The high cost of freight implies that the Yunnan tobacco will have difficulty in competing on the Shanghai market with that produced in Taiwan,

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NOTE: 1) Other estimates from authoritative sources put the 1947 crops of Yunnan leaf at about 6,000,000 lbs. only.

Kweichow and Kiangsi. The situation may have become even worse when American tobacco derived from the China Aid Programme is to be allocated.

It is reported, however, that Yee Tsoong is planning to establish a cigarette factory in Yunnan. Only Yunnan leaf would be used to make cigarettes destined for Southwestern China.

( End )

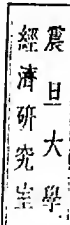
NOTE: "Articles and reports...." continued.

- "A Perspective of the Cigarette Industry", Sin Wen Pao, February 2, 1948.
- "Geographical Distribution of Tobacco in China", by Yu Hsueh-hsi, the Farmers' Bank Monthly, February 29, 1948.
- "Cigarette Industry in China with Shanghai as Leading Centre", Shang Pao, April 7, 1948.
- "Cigarette Industry in Shanghai", by Huang Yuan, Chin Yung Jih Pao, April 12, 1948.
- "Promotion of Tobacco Plantation in Shantung", Chin Yung Jih Pao, May 5, 1948.
- "Plan to Increase Tobacco Production Laid Down by the Ministry of Agriculture and Forestry", Chin Yung Jih Pao, May 7, 1948.
- "Marketing of Yunnan Tobacco Difficult in spite of Good Production", Chin Yung Jih Pao, May 25, 1948.
- "Tobacco Plantation Promoted in North Anhwei", Shang Pao, June 4, 1948.

(Other articles are mentioned in the notes of the present study.)







UNIVERSITE L'AUREORE

SHANGHAI

FACULTE DE DROIT

SECTION DES SCIENCES  
POLITIQUES ET ECONOMIQUES

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SECOND YEAR

NO. XIX - June-July 1948

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TO OUR READERS

As the "Bureau de Documentation" will be closed for two months during the University vacation, the next number of the MONTHLY BULLETIN will appear only on the 20th of SEPTEMBER.

SEE PAGES II & III for five important notes.

II.

EDITOR'S NOTES

1. ON THE INCOME TAX LAW revised and promulgated by the National Government on the 1st of April 1948 (see Monthly Bulletin Nos. XVII & XVIII - April & May 1948 - Annexes L & LIII).

The revised text of Article 102 mentioned in the Note on P.5 of Annex LIII was promulgated by the National Government on May 14th 1948 (cf. Weekly Review of Laws, June 9th 1948).

2. ON THE COMMODITY TAX REGULATIONS revised and promulgated by the National Government on the 2nd of April 1948 (see Annex LVIII in this issue).

A revision of Article 14 was promulgated by the National Government on May 15th 1948, the revised text being as follows (cf. Weekly Review of Laws, June 9th 1948):

"The Fa Huan fines and confiscation provided for in the preceding three Articles as well as the closing down of business mentioned in the preceding Article shall be enforced by court ruling.

"An appeal may be filed either by the commodity tax office or by the person under sentence within five days after service of the above-mentioned ruling. But no further appeal may be made."

3. ON THE REVENUE STAMP DUTY LAW revised and promulgated by the National Government on the 3rd of April 1948 (see Monthly Bulletin No. XVIII - May 1948 - Annex LVI).

The Ministry of Finance, in its ordinance Chih III Tzu No.84790, dated May 1st 1948, gave the following explanatory EXAMPLES in order to clarify the provisions concerning "documents of principal debt and accessory debts" in the 3rd paragraph in the Annotation column under item 6 "Contracts of Loan or Indebtedness or Deeds of Pledge" of Article 16 of the Revenue Stamp Duty Law. (cf. Shang Pao, Shanghai, May 23rd 1948).

a) Suppose that Mr. A and Bank N conclude a Contract of Call Loan which authorises A to draw money on N up to an amount of CN\$100,000,000; and A issues a Receipt for Money each time he draws any sum on N: the Contract of Call Loan will be a Document of Principal Debt and shall bear revenue stamps according to the provisions in item 6 of the Table of Duty Rates, while the Receipts for Money, being Documents of Accessory Debts, shall bear revenue stamps as provided in item 11 for Documents for Withdrawal of Money. When no general Contract of Call Loan has been signed between A and N, but the conditions of credit and date of repayment are specified each time on the Receipts for Money, then these Receipts will be considered as Documents of Principal Debt and will have to bear revenue stamps as provided in item 6.

b) Debtor B draws on his Banker O a Time Draft requiring a certain payment to be made to Creditor C, and C requests O to accept the Draft. Here again two hypotheses are possible: First, if B and O have previously signed a Contract of Acceptance authorising B to draw orders on O for acceptance, within an agreed limit, this Contract will be a Document of Principal Debt

III.

whereas the Draft will be only a Document of Accessory Debt, the former being liable for the revenue stamp duty as provided in item 6 of the Table of Duty Rates and the latter as provided in item 11. On the contrary, if no previous Contract of Acceptance has been made, then the Draft itself, being a Document of Principal Debt, will have to bear revenue stamps as provided in item 6. In both cases, B is responsible for affixing the revenue stamps, and no further affixing of stamps by O will be necessary when performing the act of acceptance which merely serves to complete the effect of the Draft.

c) Mr. D, after having signed a Contract of Discount with Bank P, presents an Acceptance of Bank Q, and sends it to P to be discounted. In this case, the Contract of Discount will be a Document of Principal Debt and must therefore bear revenue stamps as stipulated in item 6, while the Acceptance will be a Document of Accessory Debt, being subject to the revenue stamp duty as under item 11. But, suppose that, not having signed any Contract, D directly presents an Acceptance to P for discounting: then in view of its serving as a kind of certificate of loan, the Acceptance will have to bear revenue stamps according to item 6.

d) Debtor E accepts a time draft which Creditor F has drawn on him: this Trade Acceptance, serving to recognise indebtedness, is to be considered as a Document of Principal Debt, and the Acceptor E has to affix revenue stamps thereon according to the provisions of item 6. If F signs a Contract of Discount with Bank R before presenting the Acceptance to be discounted, this Contract, being also a Document of Principal Debt, shall be subject to the revenue stamp duty as provided in item 6. But conversely if F discounts the Acceptance without having made any contract beforehand, then new revenue stamps will have to be affixed on this Acceptance for the new obligation established on it. (cf. Annex LVII in this issue. "Rules governing the Application of the Revenue Stamp Duty Law" promulgated by the Executive Yuan on the 26th of April 1948, Article 14).

4. ON THE REVENUE STAMP DUTY LAW revised and promulgated by the National Government on the 3rd of April 1948 (see Monthly Bulletin No. XVIII - May 1948 - Annex LVI).

An error has been found in item 17 of the Table of Duty Rates of Article 16 (p.12 of the Annex): the amount of EXEMPTION should be "total amount less than \$5,000" instead of "less than \$10,000".

5. ON DOCUMENT NO. 90: "COAL MINING AND COAL POLICY IN CHINA 1938-1948 (CONCLUDED)" (Monthly Bulletin No. XVI - March 1948).

There is a misprint in the "Remarks" column on p. 1: the number of the Document forming the first part of the Article should be "87" instead of "83".

( End )

IV.

The MONTHLY BULLETIN is edited by the "BUREAU DE DOCUMENTATION" of the Department of Economics and Political Sciences, Aurora University (Shanghai).

Part of the work of the "BUREAU DE DOCUMENTATION" is the systematic filing of all articles in the chief Chinese periodicals (monthly, weekly and daily) which deal with the economic and financial life of the Far East. References on any subject can be found immediately by means of a detailed card index.

The aim of the BULLETIN, which appears on the 20th. of each month, is to put at the disposal of foreigners the economic and financial points of view expressed in articles in the Chinese reviews. A certain number of these articles are carefully chosen and reproduced each month in English, either in full translation or in the form of digests.

Each article translated or summarized is published separately under the heading "DOCUMENT No...." so as to enable each reader to classify them according to his personal system. A classified index will appear at the end of each year.

Where several articles on the same subject are written from widely divergent points of view the BULLETIN summarizes these points of view under the name "STUDY, No...."

When it seems advisable the BULLETIN adds to these Documents and Studies the translation of relevant laws or administrative acts, which form "Annexes" to the Documents or Studies.

The BULLETIN is being published to meet a definite need and any suggestions as to the best way of meeting that need will be welcomed.

Though the selection, translation and summarizing of the articles and other texts is done under the authority of the Dean's Office of the Department of Economics and Political Sciences, the authors, whose names appear on each Document, Study, and Annex, are alone responsible for the statements of fact or opinion expressed in them.

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LIST OF CHINESE PERIODICALS  
RECEIVED AT THE  
"BUREAU DE DOCUMENTATION"  
(June 20th. 1948)  
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QUARTERLY REVIEWS

Economic Development Quarterly (Ching Chien Chi K'an)  
(Kiangsi)  
Spinning, Weaving & Dyeing Quarterly (Fang Chih Yen Chi K'an)

MONTHLY REVIEWS

Banking Information	(Yin Hang T'ung Hsin)
The Central Bank of China Monthly	(Chung Yang Yin Hang Yueh Pao)
The Chekiang Economic Review	(Ch'iang Ching Chi)
Chemical World	(Kua Hsueh Shih Chieh)
China Industrial Development	(Kung Kwang Chien She)
The China Textile Review	(Ch'ien Wei Kung Yeh)
The Commercial Bulletin	(Shang Yeh Tac Pao)
The Commercial Research Monthly	(Shang Hsueh Yen Chiu)
Economic Reconstruction	(Ching Chi Chien She)
The Farmers' Bank Monthly	(Chung Nung Yueh K'an)
The Financial Review	(Ts'ai Cheng P'ing Lun)
The Hopeh Provincial Bank Monthly	(Hopeh Sheng Yin Hang Yueh K'an)
The Industry Monthly Magazine	(Kung Yeh Yueh K'an)
The Juristic & Economic Review	(Chen Tan Fa Lu Ching Chi)
of Aurora University	(Tsa Chih)
The Lih Hsin Monthly Review	(Lih Hsin Yueh K'an)
The Native Bank Monthly	(Ch'ien Yen Yueh Pao)
National Reconstruction	(Chung Kuo Chien She)
Oriental Review	(Tung Fang Tsa Chih)
The Rural Affairs Monthly	(Nung Ts'un Yueh K'an)
Scientific China Monthly	(Ke Hsueh Ta Chung)
Textile Reconstruction Monthly	(Fang Chih Chien She)
The Textile Review	(Fang Chih Yen)

SEMI-MONTHLY REVIEWS

The Business World	(Kung Shang T'ien Ti)
The New China Magazine	(Hsin Chung Hwa)

WEEKLY REVIEWS

The Bankers' Weekly	(Yin Hang Chou Pao)
The Central Bank Weekly	(Chin Yung Chou Pao)
The Economics Weekly	(Ching Chi Chou Pao)
The Economic Review	(Ching Chi P'ing Lun)
The New Road	(Hsin Lu)
The Textile Weekly	(Fang Chih Chou K'an)
The Weekly Review of Laws	(Fa Ling Chou K'an)

DAILY PAPERS

Chin Yung Jih Pao - Chung Yang Jih Pao - Shang Pao - Shen Pao -  
Sin Wen Pao - Ta Kung Pao  
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U N I V E R S I T E L ' A U R O R E

- S h a n g h a i -

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Rules Governing the Collection of  
the Business Licence Tax in Shanghai

Promulgated by the Shanghai Municipal  
Government (date unknown)

Published in Shang Pao (Shanghai),  
June 14th 1948.

Annex No.: LX

Annex concerned:  
No. XXXIII.

Number of pages: 4

Remarks: Translated by  
our Legal Department.

RULES GOVERNING THE COLLECTION OF  
THE BUSINESS LICENCE TAX IN SHANGHAI

Article 1.

These Rules are laid down in conformity with the  
provisions of Article 16 of the Business Licence Tax Law<sup>2</sup>.

Article 2.

Besides being governed by the provisions of the  
Business Licence Tax Law, the collection of the business licence  
tax in this municipality shall follow the provisions of these  
Rules.

Article 3.

1) Any one who undertakes any commercial business  
within this municipality, shall, according to the provisions of  
these Rules, obtain a business licence tax application form from  
the Bureau of Finance which he shall fill in fully and accurately.  
Only after this has been approved, the tax paid and the licence  
obtained, shall the business be allowed to open.

2) Any commercial business which was opened  
before the enforcement of the Business Licence Tax Law, shall,  
within the time limit prescribed by the Bureau of Finance, ob-  
tain a certificate from its guild, submit a supplementary report,

EDITOR'S NOTES: 1) The text of the present Rules was sent by the  
Bureau of Finance of the Shanghai Municipality  
to the Shanghai Municipal Chamber of Commerce  
on the 1st of June 1948.

2) The Business Licence Tax Law was revised and  
promulgated by the National Government on the  
14th of November 1947 (see Monthly Bulletin  
No. XII - Nov. 1947 - Annex XXXIII).

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make payment of the tax and obtain the licence.

3) The Bureau of Finance shall, within one month after receiving the application for a business licence, either issue the licence or give an official reply.

Article 4.

1) The business licence shall be renewed once a year, and the levy shall begin in January; if any business is opened after July, only half the tax shall be collected.

2) Applicants for business licences shall send their applications to their own guilds to be stamped and certified. Those who have not yet joined a guild, may provisionally have them stamped by another shop as witness; but the licence cannot be renewed without a certificate from a guild.

Article 5.

The business licence tax shall be collected according to the scale given on the attached table.<sup>1)</sup> Capital amounting to less than One Million Dollars, shall be exempted from tax.

Article 6.

The amount of capital of any person engaged in business, shall be determined by the following rules:

1) If the business man has genuine and legal documentary evidence (such as share certificates or original account books), the amount of capital set down in these documents may be taken as basis.

2) If there is no documentary evidence, the amount of capital as reported to the Bureau of Direct Taxation, shall be taken as basis.

3) If there is no way to find out the amount of capital reported to the Bureau of Direct Taxation, then the business licence tax shall be collected according to the amount paid in the preceding year applying the multiplier for the current year; but this shall not apply if an alteration of the amount of capital has been previously applied for and approved.

4) If the amount of the capital is too far removed from its actual value, or if owing to special circumstances, it cannot be determined, the case shall be forwarded for decision to the Deliberative Committee on Taxes and Dues.

5) If foreign merchants report their capital in terms of foreign currency, it shall be converted into the National Currency at the rate determined by the Equalisation Fund Committee at the time of reporting.

The amount of capital as mentioned above shall be the amount of capital originally invested or the paid-up capital plus reserves and undivided profits: "Undivided profits" means the remainder after the final settlement of accounts of the year, and after the profits have been distributed among the shareholders.

EDITOR'S NOTE: 1) See p. 4.

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which is carried over as undistributed profit to the next half year.

Article 7.

If any business man operating a business, has established different branch shops within this municipality, their capitals shall be kept separate and they shall be taxed severally and each receive its own licence. If this separation cannot be made, the principal store may report the total amount of capital to the collecting office in the district where it is located, and separate licences shall be issued. Separate fees may be charged for the cost and labour of each licence. In the case of brokers and commission agents, a certificate from the guild shall be submitted.

Article 8.

Only those businesses which hold legitimate documentary evidence and which have been approved by the Bureau of Finance, shall be granted a reduction or exemption according to the Business Licence Tax Law.

Article 9.

If the same commercial firm concurrently manages two or more types of business, these shall be clearly mentioned when submitting the report. No alteration shall be made, which has not been previously reported and approved.

Article 10.

If a business man changes the type of his business or the name of his shop, increases its capital, reorganises, re-moves to another location, or resumes his business or takes over the business of another person, a new application shall be necessary only in the case of removal or resumption of business; in all other cases, the original licence together with a certificate from the guild shall be submitted to the Bureau of Finance for examination and approval, and then a new tax shall be paid for a new licence. But in the case of change of the type of business, increase of capital or reorganisation, the amount of tax originally paid may be deducted.

Article 11.

When a business closes down, the licence which it has received, shall be handed over, within one month, to the Bureau of Finance for cancellation.

Article 12.

The business licence shall be hung in a conspicuous place on the business premises so that it may easily be investigated at any time. It shall not be damaged or defaced. If it is lost, an announcement shall immediately be made in the newspapers; then application together with a certificate from the guild or from another shop shall be submitted to the Bureau of Finance for examination and for the issue of another licence.

Article 13.

Business men shall, within one week after receiving the notice of payment, make full payment of the tax; and shall then, by presenting the certificate of payment, secure the business licence. If payment is not made within the prescribed time

limit, an additional payment of a Fa Huan fine) equivalent to two tenths of the amount of tax payable shall be imposed for every ten days' delay, until the delay reaches its fiftieth day. If over two months elapse without full payment being made, the business shall be closed; and the overdue tax and fine shall be made good before the business is allowed to reopen.

Article 14.

If any business man has to close down his business as punishment for having violated the provisions of any other law, the business licence which he has received shall immediately be cancelled.

Article 15.

Fa Huan fines in connection with the business licence tax shall be governed by the Measures governing Fiscal Fa Huan Fines.

Article 16.

These Rules which have been laid down by the Shanghai Municipal Government, shall be promulgated and enforced after having been passed by the Municipal Council and submitted to the Ministry of Finance for confirmation.

Table Showing the Scale of Amounts of Capital  
Subject to the Business Licence Tax in Shanghai

Amount of Capital	Amount of Tax	Remarks
\$ 1,000,000 up to \$ 2,000,000	\$ 3,000	
\$ 2,000,000 up to \$ 5,000,000	\$ 6,000	
\$ 5,000,000 up to \$10,000,000	\$15,000	
\$10,000,000 up to \$20,000,000	\$30,000	
\$20,000,000 up to \$50,000,000	\$60,000	
More than \$50,000,000	3 per mille of the amount of capital	

( End )

EDITOR'S NOTE: 1) The term Fa Huan is used for a fine of a civil character under civil law, or of a fiscal character, imposed for breaches of taxation laws; in both cases it is imposed for offences which do not come under the penalties of the criminal law.

U N I V E R S I T E L ' A U R O R E

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Topic:	Analysis of the Patent Law.	Document No.: 101
Author:	Prof. Sung Chia-Huai.	Nature: Translation partly abridged.
Periodical:	Jurietic and Economic Review, Aurora University (Chen Tan Fa Lu Ching Chi Tsa Chih)	Number of pages: 25
Date of Issue:	June 1948.	Remarks: A part of the original text translated below is still in course of publication.

ANALYSIS OF THE PATENT LAW 1)

Industry is not yet highly developed in China and inventions are few; nevertheless the patent system already has a relatively long history in our country. Before the Republic was one year old, on June 13th 1912, the Ministry of Industry and Commerce promulgated a Provisional Ruling on the Encouragement of Industrial Products, which came into force on the 12th of December following; it provided a monopoly of sales granted to the inventor for a maximum of five years, of all products resulting from a new invention; and a certificate of praise granted to the author of improvements.

This ruling was revised on March 31st 1923 under the name "Ruling on the Encouragement of Industrial Products"; two types of patents were recognized, one of three years' duration and one of five.

After the inauguration of the National Government, in June 1928, a new "Ruling on the Encouragement of Industrial Products" was published, which recognised four types of patent, for fifteen years, ten years, five years and three years; but in 1930 this was abrogated, causing a temporary break in the patent system. On September 30th 1932, the Government published a "Provisional Ruling on the Encouragement of Industrial Technique" which re-established the patent system. This was revised on April 6th 1939; a patent for new patterns and one for new designs were added to the existing patent for new inventions. On January 6,

NOTES: 1) The Patent Law promulgated May 31, 1944, and the Rules of Application, promulgated Sept. 24, 1947, will come into force on Jan. 1, 1949.

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1941, a further revision was published which is still in force. It is in application of the provisions of this Ruling that the granting of patents is now being organised by the Ministry of Economics and the Ministry of Industry. 1)

Besides the granting of patents according to the Ruling on the Encouragement of Industrial Technique, already quoted, various Ministries have published rulings for the encouragement of the type of enterprise coming under their competence. The most important of these are: the "Ruling on the Encouragement of Compositions, Inventions and Works of Art", published in 1941 by the Ministry of Education; the "Ruling on the Setting up of a Commission for the Reward of Military Inventions", published in 1941 by the War Office; the "Ruling on the Encouragement of Medical and Pharmaceutical Technique" published by the National Bureau of Hygiene; the "Ruling on the Collection of Works of Hydraulic Utility" published by the Water Utilisation Commission; the "Ruling on the Encouragement of Agricultural Research", published by the Ministry of Agriculture and Forestry; and the "Ruling on the Encouragement of Aeronautical Industry" published by the Commission on Aeronautics 2).

The Provisional Ruling on the Encouragement of Industrial Technique only deals with the protection of inventions, patterns and designs made by Chinese subjects. The first Article expressly states that "Citizens of the Chinese Republic engaged in research on industrial technique may, according to the provisions of this Ruling, apply for 'encouragement' for any of the following:-

- a) Any new invention in products or methods;
- b) Any new design of practical utility in form, structure, installation or adaptation of objects;
- c) Any new pattern of aesthetic interest in the form, colour or arrangement of objects".

Nothing is stated as to protection of inventions made by foreigners in China.

In the older commercial treaties between China and other countries, there was sometimes a reciprocal recognition of patents, for example in Article 10 of the Supplementary Sino-American Treaty of Commerce and Navigation, of Oct. 8th 1903 :-

"The Government of the United States of America agrees to issue a Certificate of Invention to any Chinese citizen who has registered his inventions in the U.S.A., in order to safeguard his right to hold and utilise (these inventions). The Government of China hereby promises also to establish in the future a special Bureau (Yamen) in charge of inventions, and, after this competent Bureau (Yamen) has been erected and a special law governing inventions laid down, to issue Certificates of Patents to citizens of the U.S.A. for the protection of their rights, upon their payment of the prescribed fees, and provided that these

NOTES: 1) Cf. "Chinese Economics during the Last Ten Years", published by the Chung Hua Book Co., article on "Industrial Patents in the last ten years" by Mr. Wu Chen Lo.

2) Ibid. p. 1, Note 2.

inventions have already secured certificates from the U.S.A. ; that they do not conflict with previous inventions of Chinese citizens and that they are articles which can be legally bought and sold in China. Each will be only for a prescribed number of years, this being always the same as for Patents granted to Chinese citizens".

Although the above text has not been reproduced in many other commercial treaties, foreigners of other countries can apply for patents in China by invoking the 'most favoured nation' clause.

At first the Shanghai Customs dealt with the question of application for patents by foreigners; then, in 1923, the former Peking Ministry of Agriculture and Commerce authorised foreigners to declare their inventions there; and in 1927 a "Ruling on the Provisional Registration of Foreign Patents" was promulgated. Since the formation of the National Government the drawing up of a Ruling on Patents applicable to national and foreigners alike has often been proposed, and such a ruling was actually planned; but the Ruling on the Encouragement of Industrial Technique, quoted above, which was promulgated and came into force on Sept. 30, 1932, is still dominated by the idea of protection and gives the right of application for patents only to the Chinese 1).

It was only with the promulgation of the Patent Law of 1944 that the right to apply for patents was extended to foreigners. According to Article 14 of this Law : "Any application for a patent made in the Republic of China by a foreigner, on the basis of a treaty for the reciprocal protection of patents shall be made under the present Law".

In the new Sino-American Commercial Treaty of 1946, the reciprocal protection of patents was again provided for in Article 9 : -

"Nationals, corporations and associations of either High Contracting Party shall be accorded within the territory of the other High Contracting Party effective protection in the exclusive use of inventions, trade-marks, and trade names, upon compliance with the relevant laws and regulations, if any, respecting registration and other formalities which are or may hereafter be enforced by the duly constituted authorities; unauthorized manufacture, use or sale of such inventions, or imitation or falsification of such trade marks and trade names, shall be prohibited, and effective remedy therefor shall be provided by civil action....In any case, the nationals, corporations and associations of either High Contracting Party shall enjoy, throughout the territories of the other High Contracting Party, all rights and privileges of whatever nature in regard to copyrights, patents, trademarks, trade names, and other literary, artistic and industrial property, upon compliance with the relevant laws and regulations, if any, respecting registration and other formalities

NOTE: 1) The Law on Trademarks, promulgated on May 6th 1930, already provided for the protection of foreign trade marks. Article 5 states that : - "Foreigners who in virtue of a treaty providing reciprocal protection of trademarks, wish to acquire an exclusive right to the use of their trademarks, must apply for their registration according to the provisions of this Law".

which are or may hereafter be enforced by the duly constituted authorities, upon terms no less favourable than are or may hereafter be accorded to the nationals, corporations and associations of the other High Contracting Party, and, in regard to patents, trademarks, trade names and other industrial property, upon terms no less favourable than are or may hereafter be accorded to the nationals, corporations and associations of any third country".

On Sept. 24, 1947, the Government promulgated "Rules for the Application of the Patent Law", and it was decided that the Law and the Rules should come into force on January 1st 1949.

With regard to the duration of patents, under the Peking Government the maximum was five years. According to the Rules of 1928 it was fifteen years. Under the Rules of 1932, still in force, patents for inventions last for ten years, those for new designs for three or five years and those for new patterns for three years. When the Patent Law comes into force in 1949, the duration of the patents for new inventions will be fifteen years. (Article 6 § II of the Law). Therefore at the present moment only the patents for inventions granted during the last ten years are valid; the others are obsolete and have become public property.

During the last ten years only 160 patents have been granted for inventions; that is, an average of 16 per year. There have been only 8 patents granted for new patterns; the largest number is 410 for the patents for new designs, but as the conditions for obtaining these are much wider than for patents for inventions, they are relatively easy to obtain. In any case 410 is not a very considerable figure and gives an average of only 41 per year.

Before the Law on Patents was drawn up, the Ministry of Economics appointed a Research Commission to collect the laws of all other countries on patents and all relevant books of reference in order to study and collate them. A questionnaire was also prepared on ten important points concerning patents and scientific institutions and specialists were asked to give their opinions. In this way the new Law was based not only on the existing laws in other countries but also on the special conditions existing in China; it was a very thoroughly prepared document.

Where the Provisional Ruling on the Encouragement of Industrial Technique - hereinafter referred to as the Provisional Ruling - combined in the same articles provisions common to inventions, designs and patterns, the Law on Patents - henceforth briefly described as 'the Law' - devotes a separate chapter to each, which greatly clarifies the presentation. We shall therefore follow the provisions of the Law, discussing first inventions, then designs and finally patterns 1).

#### I. - Inventions.

Meaning of the Term Invention, and Application for Patent.

NOTE: 1) In translating the various articles of the Patent Law quoted in this Article, we have in general followed the text of the translation of the British Chamber of Commerce in Shanghai.

1. Definition: -

The Chinese legislator makes no attempt to define the term invention, knowing that any such attempt would be doomed to failure. He simply refers to the concept accepted by jurists and by the legislations of all countries, a concept which tends to be everywhere the same, with occasional variants of detail. "Invention" before the Law means no more therefore than what is universally recognised as such. But the Law adds two qualifications if the invention is to be patentable: it must be new and it must have industrial value. This coincides more or less with the description "new and useful" given in the American Law (Revised Statutes of the United States). It is well to note that these two qualifications, "new" and "of industrial value" are themselves not susceptible of exact definition<sup>1</sup>).

The Law is satisfied therefore with the laying down of certain negative conditions whose presence prevents an invention from being new or from possessing industrial value.

A. - Negative conditions against the novelty of an invention.

According to Article 2 of the Law, an invention is not new in any of the following cases: -

i/ If "prior to the application it has appeared in print or has been publicly used in China, so that imitation by others is possible; but this shall not apply if it has been made public or used only for purposes of research or experiment and if application for a patent is made within six months of its being so published or used for the first time". The Law does not go into detail concerning the publication in print nor mention whether this refers to publication in China or abroad; according to a literal interpretation of the text all publication, whether in China or abroad, is included. With regard to usage, it must be used in China and in a public manner, so that even public usage abroad, though it "makes imitation by others possible", does not prevent the invention from being patented. It is impossible however, absolutely to forbid an inventor to publish or publicly use his invention with a view to making it practical or to improving it before applying for a patent. Such publication or use is therefore allowed "for purposes of research or experiment", with the restriction that "application for a patent must be made within six months of such publication or use."

ii/ If a "patent has previously been granted on a similar invention". It is clear that any invention which has already been patented cannot be new.

NOTE: 1) As soon as the Chinese jurists begin to comment on the Law, they will certainly propose definitions both for the term 'invention' and for the two qualifying expressions: but these definitions will be borrowed from the foreign legislation or the text book of foreign law preferred by the author and will have no authoritative value. For this we shall have to wait until the three expressions are defined by the official Bureau charged with the granting of patents, or the Jurisprudence of the Supreme Court, or by an Interpretative Decision of the Judicial Yuan.

iii/ If "application for a patent has been made to a foreign government more than one year previously". Legislators in all countries have found difficulty in this question of patents granted by foreign governments. Since on the one hand an invention already patented in one country may easily be imitated in another, and on the other hand an inventor cannot possibly present applications for a patent simultaneously in every country in the world, the Convention of Union for the Protection of Industrial Production, signed at Paris on March 20th 1883 and last revised at London on June 2nd 1934<sup>1)</sup>, lays down in Article 4. A (i) that "Anyone who has regularly registered a request for a patent for an invention, a pattern a design for an industrial model, etc.... in one of the countries of the Union, or his assignees, shall enjoy a right of priority to make the same registration in the other countries, within the time-limits stated below" Article 4. C. (i). "The time limits for priority mentioned above shall be twelve months for patents for inventions and patterns and six months for industrial designs and models". Acting on this provision, the American Law, Section 4887, lays down that an invention cannot be patented in the United States if the inventor has already taken out a foreign patent whose registration dates back more than twelve months before the American application. In other words if anyone waits more than twelve months after the first application, made abroad, before registering his application in the United States, he can only obtain his patent if none of his applications made abroad have yet resulted in the granting of a patent.

The Chinese Law is still more severe, since if an application has been made abroad, more than one year earlier, it is sufficient to destroy the novelty of the invention, without raising the question whether the foreign patent has actually been granted or not.

This provision, though quite defensible in itself and based on the Convention of Union, may nevertheless raise some practical difficulties, at least during its first years of enforcement. Actually few Chinese inventions seem to have been patented abroad and the provision falls mainly on inventions made by foreigners and already patented by them in their own countries. According to this provision foreigners who have already registered a request for a patent in another country should, within twelve months of that request, present another in China, on pain of forfeiture. But the procedure for granting these patents takes some time and it is quite possible not only that the first application made abroad may not result in the granting of a patent within twelve months but that it may end in failure. If therefore the inventor must present another application in China even before the foreign patent has been granted, this may cause him needless expense, if for example his application is refused both abroad and in China. This is all the more probable since given the quasi uniformity of patent laws, the same application is likely to have

1) The Convention of Union of Paris, March 20th, 1883, for the Protection of Industrial Ownership, has since been revised several times at international conferences (Brussels, Dec. 14, 1900; Washington, June 2, 1911; the Hague, Nov. 6, 1925; London, June 2, 1934). The acts adopted by these conferences only come into force in the member countries after they have been ratified by the Government concerned. China was not among the 39 countries who had signed the Convention before the War.



the same result in different countries.

The American system, by which if a patent has been applied for abroad more than a year previously, the application may be made in the United States unless a foreign patent has actually been granted, seems more adaptable.

The most serious point is that the new Chinese Law only comes into force on the 1st of January 1949 and there is no indication whether foreigners can at the moment patent their inventions in China, since the Provisional Ruling, actually governing all matters of patents, give this right to Chinese only, as we have said above. Since most foreign inventions have been patented abroad for more than a year, clearly the applications for these patents date back longer than a year; therefore patents will not be able to be taken out for them in China, since more than a year will have elapsed between the application made abroad and that made in China. Moreover fundamentally if there has been a delay in applying for the Chinese patent this cannot be imputed to the foreigner who makes application; it seems only fair therefore that at least for the first few years of the Law's application this rule should be waived. Another solution would be, since reciprocal recognition of patent rights is based on a treaty, to insert in treaties to be made with foreign countries a special clause to set right the inconveniences of Article 2.... in the passage with which we have been dealing.

iv/ If "it has been exhibited in a government sponsored or authorized exhibition and application has not been made for a patent within six months of the opening of the exhibition". Exhibitions are extremely useful and inventors should be encouraged to show their inventions. The inventions must therefore be protected, but on two conditions; application must be made within six months of the exhibition's opening; and the exhibition must be organised or approved by the Government.

v/ If "prior to application for a patent if has been secretly manufactured in large quantities for purposes other than experiment". The object of this provision is to prevent the inventor from keeping his invention secret too long, against the public interest.

B. - Negative conditions which prevent an invention from being of use industrially.

An invention has no industrial value if it is impracticable or if it fails to reach the stage of industrial exploitation. (Article 3)

The two things that matter in an invention are that it should be useful and that it should be applicable to industry. If the first is absent the invention is obviously valueless; if the second, the invention is still in the stage of theory and experiment and therefore does not yet constitute a technique which can be applied practically.

Certain inventions although new and of industrial value cannot be patented if they relate to "chemicals 1), food drink and

NOTE: 1) In certain countries, as in the U.S.A., chemical products can be patented.

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articles which are habit forming in continuous uses; drugs and their preparation; any article produced under an invention whose use contravenes the law; anything detrimental to public order, good morals or health". Article 4. On this point reference to foreign laws shows that there is local variation in the restrictions laid down, while the Chinese Law seems to have collected these restrictions and included them all.

When "an invention must be kept secret for military reasons" it is not declared non-patentable as in the cases just enumerated but "the patent rights and privileges appertaining thereto may be taken over by the Government", and to secure the inventor from loss on this account, a suitable compensation should be made to him. (Article 5.), further, "the Government may restrict or requisition a part or the whole of a patent right for military use or to meet the requirements of state enterprises, with the proviso that the patentee shall be compensated" (Article 72).

## 2. Application for patents.

### A. - Organ charged with granting patents.

When an invention has been made which fulfils the required conditions for obtaining a patent, application for one may be made by the inventor himself or his assignees or heirs, the right to apply for the patent being transferable and transmissible by inheritance according to Article 7. According to Article 10. of the Law a Patent Office is to be created by the Ministry of Economic Affairs to deal with all matters concerning the granting of patents; applications for patents should therefore be addressed to that Office.

The Patent Law was promulgated in 1944 and it was intended that the Patent Office should be set up in the year after the war ended; unfortunately for many reasons this proved impossible. In October 1946, to prevent further delay in the enforcement of the Law the Ministry of Economic Affairs ordered the Bureau of Trademarks to take charge also of matters concerning patents. In most countries, the same office deals with both trademarks and patents, but in Chinese law the Patent Law speaks of a Patent Office and the Law on Trademarks of a Bureau of Trademarks. Unless two different offices are to be set up one or the other of these laws should be modified. Meanwhile the care of patents has been given by the Ministry of Economic Affairs to the Bureau of Trademarks which has already been in existence in China for more than twenty years and which was authorized by the Executive Yuan in May 1947 to set up within the Bureau a Commission to examine patents, with Rules for Organisation in sixteen articles<sup>1)</sup>.

### B. - The Procedure of Application for Patents.

"Application for a patent shall be made to the Patent Office by the inventor or his assignees or his heirs, by submitting a written application, a detailed specification, a plan, a model or a specimen, together with a sworn statement". (Art. 12.)

It may be noted at once, for these as for all other documents to be presented to the Patent Office, that all the

NOTE: 1) See below for further details.

documents required by the Law or by its Rules of Application "to be submitted in making an application shall be written in the Chinese language with the exception of Chinese translations of scientific terms which shall be accompanied by the original terms in the foreign language. If the applicant is a foreigner and the original documents are in a foreign language, besides a translation in Chinese the original shall also be submitted." (Article 3. Rules for Application).

The points to be given in the detailed specification are enumerated in Article 4 of the Rules of Application and the rules to be observed with regard to models or specimens in Article 5.

The inventor is allowed "to hand over the management of his application for a patent and the affairs connected with the patent to an agent" (Article 13.) He is of course perfectly free to manage the affairs for himself if he prefers.

#### C. - The Applicant.

The applicant is the inventor himself or anyone who has acquired from him the right of application (heirs or assignees). The Law contains no conditions concerning the nationality of the applicant, but a foreign applicant must be able to appeal to a reciprocal treaty of protection (Article 14). The foreigner applying for a patent need not be domiciled in China: "When a foreign citizen applies for a patent in accordance with Article 14 of this Law, he shall appoint an agent to act for him as provided in Article 14 of the Rules for Application and shall submit his certificate of nationality. In the case of a juridical person, the documents giving evidence of such juridical personality shall also be submitted". (Article 17 Rules of Application). The terms of Article 14 of the Rules are "Agents.... shall be restricted to those who comply with the provisions of the Rules Governing Agents. The Rules Governing Agents shall be drawn up separately". This provision, reasonable enough when applied to foreigners not domiciled in China, has no reason when applied to foreigners who are so domiciled. Yet according to the literal interpretation of the text it applies to all foreigners without distinction of domicile.

If the Law contains no restrictions on the nationality of the applicant, it follows the American law in forbidding any member of the staff of the Patent Office, during his term of office, to "apply for a patent or receive, directly or indirectly, any right or interest pertaining to a patent, otherwise than by inheritance". (Article 20). The object of this provision is to prevent fraud.

When a patent is applied for for an invention already patented or for whose patenting application has been made abroad, the applicant in China according to the Chinese Law, must be "the original applicant who made the application abroad, or his lawful assignee (Article 19. Rules of Application). Also "the applicant shall state in his application the date on which he filed application abroad<sup>1)</sup>, the date on which the patent was

NOTE: 1) If this date is more than a year earlier, the invention is no longer new, according to Article 2 No.3 of the Law, as stated above.

granted, the sections and term of the patent and whether or not it has been leased or put into use by special permission. Relevant documents must also be sent". (Article 20 of Rules for Application.)

D. - The delicate question whether an employer can patent an invention made by his employee is dealt with as follows.

The Law distinguishes the hypotheses (Art. 51 ff.):

i/ If "an invention is made by an employee in the course of his actual employment... the right to patent shall belong to the employer, provided that if a contract exists the terms of that contract shall be observed";

ii/ If an invention is made by the employee but is "related to the employee's trade.... the right to patent shall be held jointly by both parties";

iii/ If "an invention, unconnected with his occupation, is made by an employee.... the right to patent shall belong to the employee, provided that where the invention has involved use of the employer's materials or experience the employer may use this invention in his own business on the basis of a contract". In order to protect the employee the Law elsewhere declares that "any contract concluded between an employee and his employer which deprives the employee of any right or interest in his invention shall be invalid".

E. - The question of priority when two persons apply to patent the same invention.

According to American law the first inventor alone has a right to the invention which is his property; the criterion of invention is reduction to practice. In Chinese law there is a difference; what counts is not priority of invention but priority of application, for the Law lays down in Article 15 that "where two or more persons apply separately for patents on the same invention, the patent shall be granted to the first applicant. Where applications are made on the same day the applicants shall be instructed to reach an agreement by mutual consent. If they fail to reach an agreement neither shall be granted a patent". This system is more apt to lead to injustice than the American, since it may mean a race for the patent and the more prompt may obtain it before the real inventor, intent on carrying on research and perfecting his invention, has made an application. The great advantage of the Chinese system is the elimination of disputes, for while priority of application is a simple matter of fact, priority of invention is relatively difficult and often impossible to prove.

According to Article 9 of the Rules of Application "when an application is sent by mail, it must be registered, and the Patent Office shall determine the priority of applicants according to the date on the postmark at the place of posting".

When can those who have applied on the same day for a patent be said to have 'failed to reach an agreement'? The Law says nothing on this point but it has now been cleared up by Article 22 of the Rules of Application:- "When applicants are instructed, in accordance with Article 15 of this Law, to reach an agreement, the Patent Office shall lay down a definite time limit and if no report has been submitted on the expiration of this

period, it shall be deemed that no agreement has been reached".

F. - Supplementary Inventions.

Article 16 of the Law deals with the case when "the original inventor and another person both make the same further invention and apply simultaneously for a patent"; the decision is that "the patent shall be granted to the original inventor". Actually, if while his patent still runs the patentee makes a further invention he can apply for a supplementary patent (Article 8). If any person, using the invention of another while its patent still runs, makes a further invention, he also may apply for a patent; but he must make suitable compensation to the original patentee or arrange with him for joint production (Article 9). If the further invention has been made simultaneously by the original inventor and by another, preference is given to the original inventor. One expression of Article 16, "simultaneously", is ambiguous. If it means the same as the expression 'on the same day', used in Article 15, why change the term? Or shall it be understood to mean the original inventor makes application while the other's application is still under consideration when he has not yet obtained the patent? Both interpretations are admissible.

G. - Examination and publication.

When an application for a patent reaches the competent office, it remains to be decided whether the patent can be granted without preliminary examination or whether such an examination is necessary. According to some legislations (France, Belgium, etc..) as soon as the form of application has been correctly filled up and sent in, the patent is granted, without any examination. In other countries (Great Britain, Germany, etc..) the application is submitted to a preliminary examination; if this proves satisfactory publication follows, as prescribed by the Law. The Chinese Law follows the latter type.

As soon as an application has been made the first step is to examine the application. According to the Law, this is to be done by an Examining Commission. Since, as we have said above, no Patent Office has as yet been set up and its functions are carried out by the Bureau of Trademarks, the Examining Commission is to be set up by this Bureau. According to the Rules for the Organisation of an Examining Commission on Patents, 1947, the Commission has four subdivisions: - a commission for mechanics and electrical installations; a second for chemistry and mines; a third for textiles and objects of daily use; and a fourth for new patterns. The Director of the Bureau of Trademarks is Chairman of each of these commissions; in all there are to be thirty-two to forty-four members for the four Commissions, eight of whom must work only on the business of the Commissions while the others may concurrently hold other posts. There are also to be four examiners, each attached to one of the subcommissions according to their technical qualifications.

Article 28 lays down the circumstances in which an examiner shall withdraw; these are too obvious to need discussion here.

According to the Rules for the Organisation of the Commission, whenever a case comes up the President names one member to make a preliminary examination and report; this report is then

circulated among the members so that each can give his opinion; finally the decision is made at a session of the sub-commission concerned.

If the Examining Commission gives an unfavourable decision, the applicant "may within thirty days from the date of service of the decision in writing, prepare a written statement of his reasons and request a re-examination" (Article 31). According to Article 34 the Head of the Patent Office - actually the Director of the Bureau of Trademarks - shall name other members of the Commission, "who have not examined the original case, to re-examine the question of the patent and prepare a decision in writing, giving their reasons.... If anyone is still dissatisfied with the decision reached after re-examination, he may within thirty days from the day following service of the written decision, submit an appeal to the Ministry of Economic Affairs for a final consideration and decision" (Article 37).

"If it is decided, after examination, that a patent may be granted on an invention, this decision shall be publicly announced, together with a description and a plan" (Article 30).

"If any person considers that any invention publicly announced contains anything in contravention of the provisions of Articles 1 to 4 of this Law, he may within six months from the day of public announcement draw up a statement and send it with documentary evidence to the Patent Office, drawing attention to the objection and asking for a re-examination (Article 32).

"The Patent Office, having received the statement of the objection shall at once send a duplicate copy to the applicant requesting him to reply within one month. If he has not replied within one month the application shall not stand (Article 33).

"If at the completion of the period for public announcement no objection has been presented or the objections have not been upheld, the examination shall be final" (Article 38). The patent is then granted to the applicant and must bear on it:-  
1) The applicant's name; 2) The serial number of the certificate;  
3) The article or method patented; 4) The term of years of the patent; 5) The date of issue of the Certificate". (Article 30, Rules for Application).

## II. - Inventions (Continued): Patent Rights.

### 1. Exclusive character of the Rights.

The patent confers on its owner the exclusive right "to manufacture, sell or use an invention. If the invention is a process, articles manufactured by direct use of that process shall be included". (Article 42). But in the following cases the patentee cannot claim his exclusive right:-

i/ "When an invention is used for research or experiment with no idea of gain".

ii/ "When, before the application, the invention was in use in China, or when the necessary preparations for such use had been completed; provided that this shall not apply if knowledge of the manufacture was obtained from the holder of the right

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of application for the patent within six months of application being made and if the applicant for the patent has made a declaration that he reserved his patent rights".

iii/ "If the goods are already in China when application is made".

iv/ "If transport machinery or equipment is only in transit through China".

v/ If a patent right held by a person other than the holder of the right of application for the patent is revoked on the initiative of the (rightful) patentee and if the holder of the right of exploitation has in good faith and before the initiation of proceedings used the invention in China or completed the necessary preparations for such use".

## 2. Coming into existence of the Patent Right.

Strictly speaking the patent right only comes into existence when the patent is granted. This however, while in itself logical, might lead to injustice since rivals could imitate an invention with impunity so long as the patent was not yet granted. For this reason it is laid down in Article 44 § 1 of the Law that "when once a patent case has been publicly announced (i.e. when it has successfully passed the examination stage) the patent right shall be permitted to take effect provisionally. "If however this provisional effectiveness" is invalidated on account of errors in the procedure of application or because the patent is refused by reason of an objection, the effectiveness shall be deemed void ab initio" (Article 44, § 2)

## 3. Duration of the Patent.

The duration of patents is not the same in all countries; nor does it anywhere begin from the same point. It begins from the day application is made and lasts fifteen years in France, Switzerland, Rumania; seventeen years in Denmark, Sweden, Norway; eighteen years in Germany, Italy; twenty years in Hungary, Finland, Belgium. It begins from the day of publication and lasts fifteen years in Yugoslavia, Japan and Czechoslovakia; begins from the day the patent is granted and is valid for ten years in the Argentine, Peru and Venezuela; for fifteen years in USSR, Poland, Brazil and Chile; for seventeen years in the United States and Canada and for twenty years in Spain and Colombia.

In China, according to the Provisional Rules, the duration of a patent for an invention may be five or ten years. (Article 2); moreover according to Article 22 of the same Rules application may be made to the Ministry of Economic Affairs for the above duration to be prolonged, not more than once and for five years only.

According to the Law the duration of the patent for any invention is fifteen years<sup>1)</sup>; this term is current from the day of application, not from the granting of the patent. In

NOTE: 1) There are no longer to be two types of patent for 5 and 10 years as there are under the Provisional Rules.

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principle applications for prolongation of the term are no longer permitted as they were under the Provisional Rules. By exception, "a patentee who suffers loss owing to the outbreak of war between the Republic of China and a foreign country, may apply for his patent to be extended for one period of 5 or 10 years; but this shall not apply to patent rights held by citizens of a belligerent country." (Article 55). It is clear that 'belligerent' - in Chinese: Chiao Chan Kuo - must be interpreted here in the meaning of 'enemy'; otherwise allies of China would be penalized as well as her foes and only neutrals could enjoy the benefit of prolongation.

When the duration laid down in the Law expires, the patent is extinct, the invention becomes public property and anyone may use it without any restriction. Since the duration runs from the day of application the patent expires the day after the date corresponding to the date of application.

4. Extinction of Patent Rights for reasons other than expiry.

Besides expiry of their term, which is the general cause of loss of patent rights, any of the following causes may have the same effect. The patent becomes extinct:- (Article 59)

i/ "On the date of the patentee's death, if there is no heir to the patent right". This shows that a patent right does not lapse to the State when an estate escheats, although in principle all the goods of such an estate lapse to the State. (Article 1185 of the Civil Law).

ii/ "If the patentee has not yet paid the patent fees on the expiry of the additional period allowed for the payment of the required fees after the expiration of the original term".

iii/ "If a patentee voluntarily gives up his right, on a date signified by him in writing"; but "a patentee may not give up a patent right without the consent of any beneficiary from a conditional lease or assignment or any holder of a conditional right of exploitation" (Article 58).

iv/ "If a treaty of the kind specified in Article 14 of this Law lapses; on the date on which the treaty lapses".

This provision is explained by the fact that since the treaty serves as basis for the application for a patent, the extinction of the treaty ipso facto brings about the expiry of the patent. But it may be argued that the patent, once granted, constitutes a right acquired by its owner, and it is not right that the lapsing of a treaty, which may take place for many reasons which merely concern the two States and have no direct bearing on their citizens, should react on rights previously acquired by citizens of the contracting States. The result of the lapsing of a treaty of reciprocity should surely be to put an end to the granting of patents but not to annul those already given.

#### 5. Cancellation of Patents.

"A patent right shall be cancelled and the certificate withdrawn in any of the following cases : - (Article 60).

1/ "If there has been a contravention of the Provisions 1 to 4 of the Law". Since Articles 1 to 4 lay down the

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conditions necessary for an invention to be patented, it is logical that the sanction for contravening them should entail the cancellation of the patent.

ii/ "If the patentee is not the holder of the right of application for the patent". This shows that even after the term for publication is over, the true holder of the right of application for the patent has the power to object to the patent granted to someone who had no right to apply for it, and to demand its cancellation.

iii/ "If particulars necessary for use have been intentionally omitted in the specification or plan, or if unnecessary particulars have been intentionally included in it, making its use impossible or difficult".

iv/ "If the contents of the specification differ from those of the specification previously used when application was made in a foreign country".

v/ "If the facts recorded in the specification do not represent the real process used for the invention".

The person with a right to initiate proceedings on any of these heads is, for No. ii/, "the holder of the right of application for the patent" only; for the other categories anyone may initiate proceedings "provided that if the motion is not upheld the same person may not initiate further proceedings on the same grounds". (Article 61)

When such proceedings have been brought before it the Patent Office must act according to the rules for reexamination (Article 62). Cancellation of the patent has not the same effect as its expiry. The latter only affects the future, leaving the patent with all its attached rights complete in the past, but cancellation is retroactive: "where a patent right is cancelled it shall be deemed to have been without effect ab initio" (Article 63). "If a patent right has been cancelled but its supplementary patents have not been cancelled, they shall be considered as independent patent rights, and new certificates shall be issued for them, only until the date of expiry of the original patent right". (Article 64)

#### 6. Utilisation of the Patent Right.

The question of utilisation of the Patent right is dealt with in two places in the Law. The first is more particularly concerned with the persons who have the right to utilise it, the second with the obligation to utilise.

##### A. - The Persons who have the right to utilise it.

Instead of himself putting this invention into use the "patentee may assign or lease the whole or part of his invention, conditionally or unconditionally, to another person for utilisation" (Article 45). The term 'assign' includes acts of sale, gift and exchange.

"Where a patent right is held jointly, and the joint holders do not themselves utilise it, it can only be assigned or leased to a third party by an agreement embodying the unanimous

consent of all the coproprietors" (Article 47). This provision simply reproduces the rule contained in Article 819 § II of the Civil Law :- "Alienation or modification of the object or constitution of a charge on it must be done with the agreement of all the coproprietors". But in exception to the rule given in Article 819 § I of the Civil Law, by which "each coproprietor can freely dispose of his own quota", Article 48 of the Patent Law lays down that "A joint holder of a patent right shall not assign his right part therein to another person without the consent of the other joint holders".

Contracts concerning the assignment or lease of patent rights shall be invalid in the following cases : -

i/ "If the contract forbids or restricts the use by the assignee of any given article or process not supplied by the assignor or lessor".

ii/ "If the contract requires the assignee to buy from the assignor any product or raw material not covered by the patent".

iii/ "If the contract fixes too high a fee for the assignment or lease, so that the utiliser is unable to make a reasonable profit on the utilisation".

It is clear that the object of the legislation is to maintain a certain equality between the contracting parties and to prevent the imposing of too onerous conditions by the patentee.

We may note, finally, that both in case of assignment and in acquisition by inheritance application may be made to the Patent Office, accompanied by documentary evidence, in order to obtain a new certificate granted in the name of the new patentee. (Articles 49 and 50).

#### B. - Obligation to utilise the invention.

Since the patent confers an exclusive right to manufacture, sell or use, as long as it remains valid the public cannot utilise the invention which can be utilised only by the patentee. But it is a matter of general interest that inventions which have been patented should be utilised as soon and as completely as possible. No one therefore can be allowed at the same time to hold the exclusive right to its utilisation, through taking out a patent, and to abstain from developing it. Such procedure would be against both industrial progress and the good of society. This is why the Law attaches such importance to utilisation. According to Article 67, "if, without adequate reason, an invention has not been utilised or has not been adequately utilised in China within three years of the issue of a patent on it", the Patent Office may take either of two measures: - it may "cancel the patent right ex officio", in which case the patent no longer exists and the invention becomes public property; or it may "on the petition of an interested party, permit him to utilise it". In this latter case the patent right subsists, the general public has no right to utilise the invention concerned, but the right of utilisation has been transferred from the patentee to the person who has

been given the "special permission" 1). For this reason the patentee is to be notified and given compensation. "Disputes concerning the amount of compensation shall be settled by the Patent Office"; the Rules of Application enumerate the "particulars which should be noted.... for making a valuation of the patent right" (Articles 36 and 37. Rules of Application.)

It is important to point out that the utilisation or adequate utilisation in question must be made in China. Because of international interdependence the inventor is obliged to apply for patents in several countries to secure his exclusive right of utilisation. But either because of the limited market or because of special conditions, essential to utilisation, which exist in some countries but not in others, the patentee may have valid reasons to delay utilisation in some countries. Yet according to the Chinese law it is not enough that the patentee should have begun utilising his invention in any part of the world; if he has not utilised it or has not utilised it adequately in Chinese territory he may incur the above penalties.

Another point to be noticed is that the ruling of the Chinese Law concerning the "special permission" is more severe than that of the Convention of Union for the Protection of Industrial Ownership which lays down the following measures : - (Article 5, as revised at the Hague, Nov. 6, 1925).

"Article 5.... 2) "... each country of the Union shall have power to take the necessary legislative measures to prevent any abuses which might arise from the exercise of the exclusive right conferred by the patent, for example by lack of utilisation.

3) These measures can include forfeiture of the patent only if the granting of obligatory licences does not suffice to prevent such abuses.

4) In any case the granting of an obligatory licence cannot be asked for until a period of three years has elapsed since the date of issue of the patent, and this licence can be given only if the patentee can allege no legitimate excuse in justification. No action may be taken to forfeit or cancel the patent until the expiration of two full years from the granting of the first obligatory licence".

These stages are not retained in the Chinese Law, according to which the "special permission" and cancellation can be carried out independently of each other.

Non-utilisation presents no special difficulty, since it simply means complete abstention on the part of the patentee. But it is not easy to decide whether an invention has been adequately utilised. The Law gives the following details in Article 68 : - "An invention shall be deemed not to be adequately exploited in any of the following cases : -

1/ If goods made under a patented invention could be used in China but are not manufactured on a large scale, and no adequate reason is produced.

NOTE: 1) The "special permission" of the Chinese Law corresponds to the "obligatory licence" preconised by the Convention of Union for the Protection of Industrial Ownership of which we have already spoken and which we shall have further occasion to mention below.

ii/ If a patentee manufactures his invention entirely or mainly abroad and imports the products into China.

iii/ If the patentee of a subsidiary invention based on someone else's original invention cannot utilise his own invention without also utilising the original invention, and the patentee of the original invention refuses to lease it on reasonable terms to be utilised by the inventor of the subsidiary invention.

iv/ If the parts are imported from abroad and merely assembled in China."

But it is not enough to penalise non utilisation or inadequate utilisation: even if an invention is adequately utilised, its production may not be enough to satisfy the needs of the country. In this case, if the product manufactured according to the invention could "replace goods vitally needed in China" the Patent Office "may order an increase of production within a fixed time limit"; and if the patentee does not carry out this order the patent right may be cancelled at the term of the period fixed by the Patent Office (Article 70).

If anyone other than the patentee, having succeeded in obtaining, according to the provisions of Article 67, special permission "to utilise an invention, fails to utilise it adequately, the Patent Office may, on request of an interested party or acting on its own powers cancel the permission for utilisation". (Article 69). Although the Law states nothing as to the consequences of such cancellation, apparently either of the solutions given in Article 67 may be adopted; that is, either the patent right is cancelled and the invention becomes public property, or the permission to utilise the invention is given to another person.

#### 7. Legal Protection of the Patent Right.

Since the patent gives an exclusive right, the law must provide effective sanctions against anyone who violates it. First of all the public must be able to know that the invention has been patented, in order to refrain from any action which would violate the right. Therefore, according to Article 73, "The patentee shall attach the patent mark and the number of his patent to the patented article or its container, and may require any holder of the right of utilisation to do the same. If because the patent mark has not been attached, others are unaware that the article is patented and infringe the patent right, no damages may be claimed". Mere possession of a patent is therefore not sufficient for protection; the patent mark and the number of the patent must be attached to goods or container, under pain of losing all claim to damages.

But since the invention already enjoys a provisional protection as soon as the application for a patent reaches the stage of publication, the public must be informed of this. Since the patent has not yet been issued, its mark and number cannot be used, but the goods or their container may be marked with the expression "Patent provisionally granted during period of publication". (Article 46 § II, Rules of Application). Since the patent mark and the number serve to show the existence of the patent, they may no longer be used "after the patent right has expired or been cancelled". (Article 46, § I, Rules of Application). "The word 'patented' or any mark which would lead people to suppose that a patent had been granted" may not be attached to a non-patented article or to an article produced by a non-patented process". Further "an advertisement by a patentee may not go beyond the scope of the patent granted".

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(Law, Article 74). Anyons violating the above provisions of Article 74 shall be punished by imprisonment with penal servitude for a period not exceeding 6 months, or by detention<sup>1)</sup>, or by a Fa Chin<sup>2)</sup> fine of not more than one thousand dollars. (Article 92).

Two series of sanctions are provided against violation of patent rights : -

A. - Civil Sanctions : under which several cases must be distinguished:-

i/ The case where there has been an actual violation of the right. "The patentee or holder of the right of utilisation or its lessee may demand the cessation of acts of infringement and the payment of damages"; and the wronged party may bring a suit for this purpose (Article 81).

In order to give effective security to the wronged party for the payment of the damages, "an article used in infringing the patent right of another or an article produced as the result of such infringement, may be provisionally attached on the petition of the person whose right has been infringed upon; after judgement has been given on the damages it may be used to pay the damages in whole or in part" (Article 83). Again it may happen that the violation of the patent right has given false impressions of the patented product on the part of the public and diminished its markets. To meet this inconvenience Article 87 of the Law declares that "after judgement has been given, the person whose rights have been infringed may apply to the Court for publication of the whole or a part of the judgement, in the newspapers : the expenses for this shall be met by the losing party".

ii/ The cases where there have been preparations tending towards the violation of the patent right but it has not actually been violated.

"If all preparations are already complete to counterfeit, imitate or illegally use the patented invention of another person, the patentee, the holder of the right to utilise or its lessee, may demand that such acts should cease" (Article 84). Obviously since such acts have as yet caused no loss to the patentee, the holder of the right to utilise or the lessee, there is no occasion for claiming damages as in the foregoing cases.

B. - Penal Sanctions.

i/ Counterfeiting (Article 89). "Any person who counterfeits a patented invention shall be punished with imprisonment not exceeding three years or detention, or in addition thereto or in lieu thereof a Fa Chin fine of not more than five thousand dollars."

NOTES: 1) In Chinese Law detention is ordinarily for two months except in cases of aggravation of the penalty when it may be extended to four months. Cf. Penal Code Art. 33.

2) The term Fa Chin is used for a strictly penal fine under a criminal law; that is, a pecuniary punishment imposed by a lawful tribunal on a person convicted of crime or misdemeanour.

ii/ Imitation (Article 90). "Any person who imitates a patented invention or makes illegal use of the process concerned, shall be punished with imprisonment not exceeding two years, or detention, or in addition thereto, or in lieu thereof a Fa Chin fine of not more than three thousand dollars".

iii/ Sale (Article 91). "Any person who sells, or exhibits for sale or imports from abroad an article which he clearly knows to have been counterfeited or imitated from a patented invention shall be punished with imprisonment not exceeding one year, or detention or a fine of not more than two thousand dollars".

It is to be noted however that proceedings against the above infringements "may only be instituted on the complaint of the injured party and that such complaint shall be made within one year of cognisance of the infringement" (Article 93).

This provision seems rather extraordinary, since in the Chinese Penal Code proceedings can be instituted against counterfeiting or fraudulent imitation of trade marks, or the sale of products under cover of false marks without any necessity of a complaint from the party injured.

#### 8. Publication of Patents.

Besides the publication which is an obligatory part of the procedure in granting the patent to give others an opportunity to object, when the patent is finally granted publication must again be made, so that the public may know of the existence of the patent right. For the same reason the expiry or cancellation of the patent right should also be published (Article 65).

A Register of Patents is also kept at the Patent Office, containing "the names of patented inventions and the period of their patents, the names and addresses of the patentees or their agents, together with other rights concerning patents and all other matters required by the law." (Article 66)

#### 9. Expenses.

These may be divided into three types :-

i/ Fees for services asked of the Patent Office (Article 80) such as the fees payable on application for a patent, when the application is opposed, for re-examination, when applying for a supplementary patent. These fees are charged whether the application is granted or refused by the Office, except for certain services, such as the copying of the papers, where the fee is calculated on the number of characters copied.

ii/ Fee for the certificate, when the patent is granted (Article 75).

iii/ Annual charges. As the patent extends over several years (fifteen years) it is subject to annual charges, payable each year on a progressive scale which increases with the age of the patent. This provision (Article 76) is explained by the fact that the patent prevents the public from utilising the same invention: it is logical that some restraint should be put on the number of patents by the levying of these annual charges.

### Chapter III. - Designs and Patterns.

#### 1. Designs.

Not only inventions are patentable, but also designs and patterns. One of the chief differences between an invention and a design is that the former deals with something abstract, such as a process of manufacture, formerly undiscovered, while the latter has to do with a concrete object. Therefore while a patent for an invention can be applied for to cover a process of manufacture, without specifying beforehand the exact form of the products to be made by that process; a patent for a design is applied for to cover a product usually already in manufacture, but for which an exact model is provided. In fact the model itself usually forms the object of the patent.

A design "related to the shape, structure or construction of any article" is patentable if it fulfils two conditions:-  
i/ It must be new. ii/ It must have practical utility.

The Law gives no criterion for the practical utility of the design, this question being left to the judgment of the Patent Office - or at present of the Bureau of Trademarks - which must take in consideration universally admitted principles on this matter, and also the precedents to be gradually built up in China.

As for inventions, the Law avoids any definition of novelty and is content to lay down some negative conditions which prevent the consideration of a design as new. These conditions call for no special comment, being the same as those quoted above for inventions.

Even if they are new and of practical utility, designs cannot be patented in the following cases (Article 97):

i/ "Any article produced from a design the use of which contravenes the Law".

ii/ "Any article detrimental to public order, good morals or health".

iii/ "Any article shaped like or resembling the National Party or Military flag, the national emblem or a decoration."

The rules for applying for a patent for a design are almost the same as for an invention. We may note, among others, that the right of applying for a patent for a new design can be transmitted by assignment or by succession (Article 110, cf. Article 7); that foreigners can apply if their own country has signed with China a treaty of reciprocal recognition of patents, - (Article 110, cf. Article 14); that if several applications are made for the same design, the patent is given to the first application received (Article 110, cf. Article 17) and that ownership of a design made by an employee follows the same rules as for inventions (Article 110, cf. Articles 51 - 54).

The procedure in applying for patents for new designs also falls into two parts : examination and publication.

Examination is in the hands of an Examining Commission set up by the Bureau of Trademarks. If an examination results in refusal of the application, the applicant may have recourse to the procedure of re-examination; if he again fails, he can petition the Ministry of Economic Affairs for a final decision. If a design proves on examination to be patentable, publication follows, as for inventions; during the period of publication anyone who claims that the design is not patentable by reason of some violation of Articles 95 to 97, or any interested person who considers the application has not been made by the right applicant (the creator, his assignee or his heir), may, within six months of the day of publication, file a protest with the Patent Office, requesting re-examination (Article 101).

After a design has been examined and the decision has become final ("if at the end of the period of publication no one has filed a protest, or no protest has been upheld, the examination shall become final". Article 38), a patent shall then be granted and a certificate issued" (Article 98).

Moreover since Article 44 of the Law applies to designs, after the public announcement, even before the patent has been granted, the patent right already exists provisionally with regard to the design for which the patent has been asked.

In what does the patent right on a design consist? Article 102 defines it as an exclusive right vested in the patentee to manufacture, sell, or utilise the design.

The term of a patent right on a design is to be ten years from the date of application (Article 99). According to the Provisional Rules such a patent may have a duration of either three or five years.

The patent on a design may be assigned or leased for utilisation, to another person either with or without restrictions (Article 103).

The causes of extinction of the patent on a design are the same as for an invention. Reasons for its cancellation, as given in Article 104, also very closely resemble those given for a patent on an invention.

It is important to note that the question of utilisation, so much stressed in the Law with regard to inventions, does not appear with regard to designs. The Law makes no provision for forfeiture in case of non-utilisation, since the non-utilisation of a design causes no harm to society.

The patentee must, as in the case of an invention, "attach the patent mark and the number of his patent to the patented articles or their container" so that "where in consequence of the patent mark not having been attached, others are unaware that the article is patented" and infringe the patent right, no claim may be made for damages" (Article 110). Again, during the period of publication, when the applicant already enjoys a provisional protection, he may mark on his product the expression: "patent provisionally granted during period of public announcement" (Article 46 § II of Rules of Application)<sup>1</sup>.

NOTE: 1) This is equivalent to the English expression "Patent applied for".

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For violation of the patent right on a design the civil sanctions are the same as for an invention. The penal sanctions are also almost the same but rather less severe (Articles 106-108).

Again, proceedings can be instituted only on complaint of the injured party, made during the year following the date on which the injured party had cognizance of the infringement (Article 109).

## 2. Patterns.

After inventions, characterized by their industrial value, and designs, with their practical utility, come patterns, which have an aesthetic value only. In commercial competition, products made by the same process and with the same materials and the same design, may be made more or less attractive to the customer by the more or less aesthetic manner of their presentation.

It is logical therefore to give an exclusive right of use to anyone who has devised an original aesthetic presentation.

According to the Law a pattern "relating to the shape, decoration or colour of any article, must in order to be patentable fulfil two conditions: it must be new and it must conform to aesthetic taste. The criterion of aesthetic value is left to public opinion and the judgment of the Patent Office; no rule can be laid down.

With regard to novelty the Law lays down, as for inventions and designs, a set of negative conditions: - i/ "That prior to the application an identical or similar pattern has appeared in print or been publicly used in China; ii/ That a patent has previously been granted on an identical or similar design or pattern" (Article 112 § 1 and 2). Since there is no very clear distinction between designs and patterns; what some consider a pattern may, in fact, be considered a design by others and it is possible that an identical or similar pattern may have been patented already under either head.

It is noteworthy that though it is forbidden to patent the identical invention or the same design as that which has already been patented, it is not forbidden to patent a similar invention or design. But this cannot be the same with regard to patterns since as a rule fraudulent imitation of a patented pattern consists not in its reproduction but in the use of a similar pattern. Patterns similar to one already patented are therefore forbidden in the same way as identical patterns.

If, however, it is to the patentee's interest that others should be forbidden to use similar patterns, it is equally to his interest that he should be allowed to employ such similar patterns himself. This is often done with regard to trademarks; the same merchant may use several similar trademarks, registered as 'united marks'. (Article 4. Law on Trade Marks.) Therefore similar patterns belonging to the same individual are considered as connected patterns and may be patented as such.

The following cannot be patented as patterns :

i/ Anything detrimental to public order, good morals or health.

11/ Any article identical with or similar to the national or party flags, the portrait of Dr. Sun Yat Sen, the National Emblem, military flags, seals or decorations (Article 113).

As it does not cost anyone much to find a new pattern conformed to aesthetic standards, it would be very illogical to give him an exclusive right to apply the pattern to all products without restriction. The pattern therefore, may be applied only to a definite article, specified in the application for the patent (Article 117 § I). The classification of articles on which the pattern is to be used shall be laid down by the Ministry of Economic Affairs (Article 117 § II).

The procedure of application for patents for patterns follows that for inventions and designs; but in the Rules for Organisation of an Examining Commission for Patents, quoted above, one of the four sub-commissions to be set up, is specially charged with applications for patents for patterns.

When the application is submitted to the Commission for examination, two cases may arise. Either the application is rejected after examination, and the applicant can have recourse to the procedure for re-examination; or the application is accepted and publication follows, as for inventions and designs; a provisional patent then exists, protecting the applicant against violations of his right.

During the period of public announcement, for a pattern; any person who considers that the pattern does not fulfil the conditions required for a patent, as laid down in Articles 111 to 113 of the Law, or any interested person who considers that the application is not being made by the rightful applicant (the creator, his assignee or his heir), may within six months of the day of public announcement file a protest with the Patent Office requesting a re-examination (Article 118).

If at the end of the period of public announcement no protest has been filed or no filed protest has been upheld, a patent shall be granted and a certificate issued.

The patent on a pattern consists in an exclusive right to manufacture or sell the article designated for the utilisation of the pattern.

Neither the assignee nor the heir has, of course, the right to use it except "in respect of the articles designated for the utilisation of the pattern" (Article 121). Although Article 121 deals only with assignment, making no mention of lease, it seems that the patentee can also lease out the patent right on a pattern. The only restriction on the disposal of a patent right laid down by the Law is that 'connected patterns' cannot be separately assigned. The reason is clear: if connected patterns were allowed to be separately assigned they would enter into competition, to their mutual loss.

The holder of a patent on a pattern must attach the patent mark and the number of the patent to the patented article or its container; during the period of publication and provisional right his product may carry the expression "patent provisionally granted during period of publication".

The civil sanctions on violation of a patent on a pattern are the same as for inventions or designs. So also are the penal sanctions, but they are less severe.

As for designs, and for the same reason, the Law attaches no penalty to the non-utilisation of a patented pattern.

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To end this analysis we may note that the Patent Law comes into force only on Jan. 1, 1949; at present all questions of patents, whether for inventions, designs or patterns, still come under the Provisional Rules. This question may therefore arise whether when the Law comes into force, holders of patents under the Provisional Rules will have to obtain a new patent according to the conditions and procedure of the new law. This question is already answered in Article 131 of the Law which lays down that "a patent legally obtained before the enforcement of the present Law shall be considered as a patent obtained under the present Law". But as the duration of patents is not the same, being longer under the Law than under the Provisional Rules, "the term of the patent shall be limited to that originally granted" (Article 131).

Patents already granted before the Patent Law comes into force keep their validity, with the duration given by the Provisional Rules; but the applications for patents which have not been decided on before the enforcement of the Law cannot be dealt with according to the Provisional Rules once that enforcement has taken place, but must then be dealt with under the Law (Article 132).

( End )

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ACTIVITIES OF THE FARMERS' BANK  
OF CHINA SINCE THE VICTORY.

The Farmer's Bank was established on April 1, 1933, through the amalgamation of the four Agricultural Banks of Honan, Hupeh, Anhwei and Kiangsi Provinces<sup>1)</sup>, for the specific purpose of developing rural credit throughout the country. Farm loans however were also given by the Bank of Communications, the Bank of China, the Central Trust and the Nung Pen Chu<sup>2)</sup> and it is only since 1942 that this field of business has been exclusively reserved to the Farmers' Bank<sup>3)</sup>. At that time, the Bank counted 52 branches, sub-branches and attached cooperative treasuries, mostly distributed in the southwestern and northwestern provinces owing to the occupation by the enemy of the Eastern parts of China.

The number of subordinate units greatly increased in the following years and at the beginning of 1945 reached as many as 706, distributed in 19 provinces, namely Szechuan, Sikang, Kweichow, Yunnan, Kwangtung, Kwangsi, Chekiang, Anhwei, Kiangsi, Fukien, Hupeh, Hunan, Honan, Shensi, Kansu, Kiangsi, Tsinghai, Suiyuan,

- EDITOR'S NOTES: 1) First known as the Four Provinces' Agricultural Bank it received its present name after reorganization on June 4, 1935.
- 2) The Nung Pen Chu or Bureau of Rural Capital was created in 1936 by the National Government under the joint auspices of the Ministry of Industry and various banks in this country with a view to helping the Chinese rural societies. It was later dissolved, during the War, on account of maladministration.
- 3) Since the inauguration of the Central Cooperative Treasury on Nov. 1, 1946, there exists a partial duplication in operations relative to agricultural loans, which were formerly attributed to the Farmers' Bank only.

and Shansi, half of them being in Szechuan, Kweichow, Hunan and Kwangsi<sup>1)</sup>.

When the area of operation expanded after V-J Day, the Bank readjusted the distribution of its various organs in accordance with the reconversion plan: new ones were quickly set up in agricultural, industrial, commercial and communication centres in the liberated coastal area, while those in the interior were either reorganized or abolished. At the end of 1946, the subordinate offices numbered 760, which, besides the 19 provinces mentioned above, were scattered in Shantung, Kiangsu, Kirin, Liaoning, Antung, Liaopoh, Jehol, Chahar and Hongkong. After many readjustments, there were 744 branches and various organs at the end of 1947. (See Table I on the next page)

The operations of the Farmers' Bank consist chiefly in granting agricultural and land loans besides handling ordinary banking business and trust transactions.

Before the Victory, agricultural loans were limited to promoting agricultural production, irrigation, the extension of agriculture, marketing of agricultural products and subsidiary occupations for farmers. Farm investments were concurrently undertaken. Land loans were made mainly to assist owner-farmers, for

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EDITOR'S NOTE: 3) (continued from p.1)

According to Mr. Shou Mien-ch'eng, General Manager of CCT, such duplication is only transitory, and will easily be avoided when normality is re-established. Mr. Shou suggests that the work of the Farmers' Bank is more in the line of long term investments though they are momentarily impossible on account of monetary depreciation.

On the other hand, Mr. Li Shu-ming, General Manager of the Farmers' Bank, maintains that the mission of the Bank being to regulate rural credit throughout China, agricultural loans undertaken by CCT should be strictly coordinated with its policy.

The "dispute" seems to have been settled in principle by the two banks with regard to the agricultural loans for 1948. Where offices of the two institutions exist in the same area, all loans in connection with cooperative enterprises, including the cooperative loans stipulated in the project of agricultural loans for 1948, are to be taken up only by the Central Cooperative Treasury.

For further details concerning the Central Cooperative Treasury, Cf. "A new Government Financial Institution: The Central Cooperative Treasury," (Monthly Bulletin, No.XIV - Jan. 1948 - Study No.XIV) and "The Chinese Cooperatives since V-J Day" By Lin Hung (Monthly Bulletin No.XVIII - May 1948 - Document 99.)

NOTE: 1) Szechuan, 205; Hunan, 58; Kweichow, 83; Kwangsi, 54.

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Table I. Branches and Subordinate Organs of the Farmers' Bank.

Province	Branches & Sub-branches		Cooperative Treasuries		Agricultural Inform. Offices		Granaries		Total Number	
	1945	1946	1945	1946	1945	1946	1945	1946	1945	1946
Kiangsu	8	33	26	27	4	8			8	37
Chekiang	11	17		27	14	12	5	10	43	63
Anhui	6	8			13	8			14	21
Kiangsi	12	12	2	2	14	11	6	9	28	35
Hunan	15	17	26	26	19	2	1	3	61	47
Hubei	7	6	8	8	3	7	1	2	18	22
Szechuan	48	41	123	120	7		4	6	176	165
Sikang	5	5	10	10					15	15
Kweichow	12	9	54	54	5	2	1	2	71	66
Yunnan	9	6	7	6	9	8			25	20
Kwangtung	30	28			16	10		2	36	44
Kwangsi	4	9	43	43	9	5		3	56	61
Fukien	20	22	1	2	6	6	2	1	29	32
Shensi	11	8	18	18	4	3			33	30
Shansi	1	2	17	17	2	5	2	4	47	36
Kansu	12	12			16	5			3	5
Hopei	3	14			3	3			3	14
Honan	5	8				1		1	8	10
Shantung	2	4				4			4	5
Suiyuan	3	4							1	7
Ningsia	1	1							1	3
Kirin	1	2							1	1
Liaoning	1	7							1	1
Antung		1							1	1
Liaopoh		3							1	1
Tsinghai	1	1							1	1
Jehol		1							1	1
Chahar		1							1	1
Hongkong	1	1							1	1
Total:	228	285	335	327	112	93	10	23	686	744

Note: The figures for Shanghai, Nanking and the eight other municipalities under the direct control of the Executive Yuan are included in those for the respective provinces in which they are located.

the improvement and expropriation of land, the rearrangement of land registers, the registration and utilization of public property in towns and villages, the purchase of land at standard value and re-demarcation of boundaries. The trust department undertook the transportation of salt, the purchase of materials, and the transportation and marketing of agricultural products.

The scope of operations quickly expanded after the Victory. To meet current needs, the Bank extended its loan policy to the warehousing and transportation of certain important farm products, and was asked by the Government to undertake "special loans", including emergency relief farm loans in the <sup>areas</sup> liberated from the Japanese, "small capital loans" in the areas recovered from the Communists, relief loans in regions flooded by the Huai River and Yellow River, and loans in the form of agricultural supplies such as chemical fertilizers and processing machinery, furnished by UNRRA. Land credits were concentrated on the assistance of owner-farmers and on land improvement, the latter making remarkable progress in response to urgent need in various provinces. The bank also issued land debentures<sup>1)</sup> in coordination with the enforcement of land policy in the pacification areas<sup>2)</sup>. Much change has also been witnessed in the types of business undertaken by the Trust Department of the Bank. The purchase and transportation of raw materials, undertaken during the war years, were suspended while the scope of the marketing of farm products was greatly enlarged. Moreover, the undertaking by the Farmers' Bank of the supply and sale of agricultural products has had a far-reaching effect on the rehabilitation of rural economy.

The progress made in each of these various fields since the Victory is treated under separate headings in the following pages.

#### I. - Agricultural Loans

During the war, the Farmers' Bank laid special stress on the increase of agricultural production, in order to provide for consumption by the troops and civilians. Thus in the year 1945, during three quarters of which there was war, 54.45% of the total amount of the farm loans was for the purpose of promoting irrigation, and 26.79% for encouraging agricultural production, the two items representing altogether 81.24% of the total.

In 1946, the first year after the Victory, loans for the marketing of agricultural products were increased to 22.39% of the total amount of farm loans, in order to speed up the circulation of the products, while the percentage of loans for promoting irrigation and production dropped correspondingly. In order to foster the export of special agricultural products the Farmers' Bank also made loans for their warehousing and transportation, to the amount of CN¥ 37,377,260,000 or 43.01% of the total amount of farm loans.

EDITOR'S NOTES: 1) See Monthly Bulletin No. XVII (April 1948) Document No. 93 "Land Debentures and the Encouragement of Owner-Farmers in the Pacification Areas" by Wang Fei.

2) i.e. area recovered from the Communists.



Strong emphasis was again put on the export of special farm products in 1947, with a view to obtaining foreign exchange for postwar reconstruction of the nation. Loans for agricultural production and for the warehousing and transportation of special products were greatly increased, the former representing 24.84%, and the latter 39.95% of the total amount of farm loans. (See Table II on the next page)

A comparison of the loans outstanding at the end of each year indicates the increasing demand for financial help from the farms after the war, the figure for 1947 CN\$ 876,400,000,000 being 10 times that for 1946, CN\$ 6,900,000,000, and 170 times that for 1945, CN\$ 5,100,000,000.

Let us now go into more detail concerning different kinds of agricultural loans which for convenience will be grouped under three headings namely: loans for important farm products, loans in kind and special loans.

1. Loans for important Farm Products.

a) COTTON.

The making of loans for cotton constitutes an important part of the loaning operations of the Farmers' Bank. In order to reduce the import figure and to curtail disbursements in foreign exchange, the Chinese Government has been steadily endeavouring to increase the output of cotton in this country<sup>1)</sup>. When, in 1947, the authorities established a Division for the Improvement of Cotton Production, the Farmers' Bank planned to lend CN\$ 126,000,000,000 during that year to encourage the production of American cotton and longstaple native cotton, the beneficiary regions covering 13 provinces: Shensi, Honan, Kiangsu, Hupeh, Chekiang, Anhwei, Kiangsi, Hunan, Szechuan, Shantung, Hopeh, Shansi and Liaoning. As it turned out, CN\$ 115,000,000,000 were actually loaned to 12 provinces (Liaoning was excluded)<sup>2)</sup>, benefiting 3,870 Farmers' Associations and 1,340,000 cotton farms over a total area of 10,000,000 mow<sup>3)</sup>. The areas so helped yielded altogether 3,000,000 tan<sup>3)</sup> of raw cotton in 1947, representing 1/3 of the total output in the whole of China during the same year.

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EDITOR'S NOTES: 1) For details concerning the production and import of cotton, see "Cotton Control in China: Its many Difficulties" (Monthly Bulletin, No. XVII - April 1948 - Study XVI). Chapter I. Procuring of Raw Cotton. pp. 3 & 4.

2) Northeast Currency \$ 45,000,000 was drawn from other credit funds and especially appropriated for promoting the production of cotton in Liaoning.

3) 1 mow = 6.7448 ares.

1 tan = 60.479 kgs.

Table II. Farm Loans Outstanding at the End of 1945, 1946 and 1947.

Kind of Loan	At end of 1945	%	At end of 1946	%	At end of 1947	%
Loans for agricultural production	CN\$1,373,297,509	26.79	CN\$10,426,272,965	12.00	CN\$217,729,484,766	24.84
Loans for irrigation	2,790,760,452	54.45	8,201,368,676	9.44	39,525,028,420	4.51
Loans for agric. development	227,324,329	4.44	3,063,128,743	3.52	92,308,706,040	10.53
Loans for the marketing of agric. products	368,819,434	7.19	19,462,789,119	22.39	114,982,785,732	13.12
Loans for promoting subsidiary occupations of farmers	163,554,087	3.19	3,410,282,335	3.93	23,889,336,457	2.73
Loans for the warehousing & transportation of special agricultural products.			37,377,263,623	43.01	350,109,325,715	39.95
Small capital loans					14,171,032,500	1.62
Emergency relief farm loans in areas liberated from the enemy			4,563,391,184	5.25	2,101,848,291	0.24
Loans for the flooded areas					20,096,450,000	2.29
Agricultural investments	210,809,765	3.94	401,123,980	0.46	1,483,194,257	0.17
Total:	5,125,565,576	100.00	86,905,580,625	100.00	876,397,192,178	100.00

Note: Loans in the Northeast Currency of \$294,800,000 made in the northeastern provinces in 1946, and \$1,554,800,000 in 1947 (the amount outstanding at the end of 1947 being \$1,452,936,414.53) are not included in the above list.

Apart from production loans, the Bank appropriated CN\$ 36,800,000,000 for the processing and marketing of cotton in 1947<sup>1)</sup>. Up to the end of December 1947, CN\$ 26,551,000,000 were lent to 144 Farmers' Associations, numbering 60,431 ginnery workers, for the purchase of 225 sets of gins and 6 motors. It is estimated that 730,000 tan of raw cotton were ginned.

b) SILK.

In view of the fact that silk is one of the main export items and that its production affects the livelihood of an important part of the rural population, the Farmers' Bank drafted a systematic plan after V-J Day, in order to assist in the plantation of mulberry tress, production of silkworm eggs, rearing of silkworms, baking of cocoons, purchase of cocoons, reeling and marketing. Through the mediation of the China Silk Corporation, the Farmers' Bank loaned CN\$ 946,000,000 to 104 silkworm-egg plants in Kiangsu and 45 plants in Chekiang in the year 1946. Investigation teams were organized by the authorities concerned in 1947, in order to raise the quality of the eggs and eliminate bad ones. After a 45 day survey in Kiangsu and Chekiang, these teams classified the plants in the 2 provinces into 5 classes according to their equipment. 122 plants belonging to the 4 higher classes were granted CN\$ 6,500,000,000 up to the end of June 1947, and as a result, 1,653,260 sheets of eggs were produced.

For the rearing of silkworms, the Bank loaned CN\$ 1,014,400,000 in the spring and autumn of 1946 to 680 farmer groups in Kiangsu and Chekiang, comprising 74,400 silk-producing families, and 264,800 sheets of eggs were produced. It approved loans of CN\$ 6,500,000,000 for the spring of 1947. Towards the end of June, CN\$ 5,200,000,000 were actually issued to 816 Associations including 190,412 families producing 381,207 sheets of eggs. The amount approved for autumn 1947, was CN\$ 5,000,000,000, while up to the end of December 1947, CN\$ 4,500,000,000 were actually loaned to 639 Associations, comprising 65,951 families and producing 149,000 sheets of eggs.

c) AMERICAN TOBACCO.

The Farmers' Bank started "American tobacco loans" in March 1947, by approving CN\$ 15,600,000,000 for promoting the production of American tobacco and CN\$ 12,400,000,000 for processing, for the whole year of 1947, to be distributed in Honan, Anhwei, Szechuan, Yunnan and Kweichow, with Pengpu (in Anhwei) and Hsueh'ang (in Honan) as the distributing centres. Up to the end of October 1947, CN\$ 27,700,000,000 had been loaned to 38 hsiens<sup>2)</sup>, benefiting 566 groups or 149,000 persons, over a cultivation area of 425,000 mu; 33,000 tan of tobacco were cured and 117 curing chambers repaired.

EDITOR'S NOTES: 1) The loans for the marketing of cotton from Shensi were issued jointly by the Farmers' Bank and the Central Cooperative Treasury.

2) "Hsien" means district.

The Bank also approved loans amounting to CN\$15,000,000,000 for the warehousing and transportation of American tobacco produced in Anhwei, and loans amounting to CN\$ 21,000,000,000 for the same purpose for Honan, the money to be furnished from funds reclaimed from the production and processing loans issued previously.

2. Loans in kind.

a) CHEMICAL FERTILIZERS.

Out of a total of 300,000 tons of chemical fertilisers originally allocated by UNRRA to China, 70,000 tons were to be distributed by the Farmers' Bank as loans in kind. Later, the total allocation being cut down by UNRRA to 88,771 tons, the amount entrusted to the Farmers' Bank was reduced to 51,000 tons. Up to the end of December 1947, altogether 33,080 tons, valued at CN\$ 46,300,000,000, had been issued to 966,000 farmers on 7,000,000 mow of land in Kiangsu, Chekiang, Fukien and Kwangtung.

b) PROCESSING MACHINERY.

The Farmers' Bank purchased in 1947 the following processing machines from the Ministry of Agriculture and Forestry: 15 sets of gins, 15 sets of baling machines, 20 sets of flour mills, 20 sets of rice husking machines, 20 sets of oil presses, 2 sets of medium-size canning machines, 1 set of can-making machines, and 4 sets of machines for remaking used cans. The deal was concluded at the original cost of the machines in US currency plus transportation charges, the payment to be made in 7 annual instalments. The Bank established ginning and baling plants at Kiating, Huangk'ou and Hsueh'ow (all in Kiangsu), Wukiang in Hohsien (Anhwei), Yuehk'ou, Fanch'eng, and Laohok'ou (all in Hupeh).

In cooperation with the National Agricultural Engineering Corporation, the Bank is to loan 100 sets of machines for manufacturing and repairing farm implements in Kiangsu, Hupeh, Kwangtung and Kwangsi. 8 sets have already been delivered in Nanking, 20 in Hsueh'ow, 30 in Chekiang, 20 in Hankow, and 20 in Canton; and 11 sets have actually been loaned. The Bank possesses 2,000 modern hoes 141 of which have already been loaned to farmers.

3. Special Loans.

a) EMERGENCY RELIEF LOANS FOR RECOVERED AREAS.

The Farmers' Bank was employed by the Government in 1945 and 1946 to issue emergency relief loans amounting to CN\$ 5,000,000,000 and Northeast Currency \$ 260,000,000 to 15 provinces and the Northeast. When the loans were refunded in 1947, they were again granted, benefiting more than 500 districts. Up to the end of June 1947, the accumulated amount, including loans refunded and re-granted, reached CN\$ 6,200,000,000 and NE Currency \$ 340,000,000.

b) "SMALL CAPITAL" LOANS FOR PACIFICATION AREAS.

In order to stabilise rural economy in areas just recovered from the Communists, the Executive Yuan appropriated CN\$ 12,000,000,000 to be given through the Farmers' Bank as

"small capital" loans to 109 hsien in the 12 regions recovered from the Communists in the 9 provinces of Kiangsu, Anhwei, Shantung, Hopeh, Honan, Shansi, Jehol, Chahar and Suiyuan. Up to the end of September 1947, CN\$ 9,380,000,000 had been distributed to 95,000 poor farming families. Later, an additional amount of CN\$ 12,000,000,000 was issued in the regions already mentioned as well as to 4 more pacification regions in Hupeh, Kansu, Ninghsia and Shensi, and the Mongolian banners in Jehol, Chahar and Suiyuan. Up to the end of 1947, CN\$ 13,839,000,000 had been issued to 125,000 families in 134 hsien and 15 Mongolian banners.

c) LOANS FOR HUAI RIVER FLOODED AREAS.

As the flood along the Huai River in the North-eastern part of Anhwei was very serious in 1947, the Farmers' Bank was used by the Government to extend farm loans totalling CN\$ 3,900,000,000, to cooperatives and other farm societies organized by farmers in distress in 24 hsien and municipalities for the specific purposes of purchasing seeds, farm implements and livestock. The loans attained the pre-fixed total amount at the end of June 1947, benefiting 658 societies and 72,584 families, and greatly helping agricultural rehabilitation in the areas suffering from the flood.

d) LOANS FOR YELLOW RIVER FLOODED AREAS.

The Farmers' Bank received instructions from the Government in 1947 to issue loans to promote agricultural rehabilitation in the former flooded areas along the Yellow River, the amount of loans to be extended being fixed at CN\$ 5,800,000,000 for 15 hsien in Honan, CN\$ 5,200,000,000 for 10 hsien in Anhwei, and CN\$ 4,000,000,000 for 3 hsien in Kiangsu, totalling CN\$ 15,000,000,000. These loans were either in the form of cash or of seeds and farm implements. Up to the end of 1947, the Farmers' Bank had actually issued a total of CN\$ 6,126,000,000 to 194 groups and 33,313 families in 3 hsien in Kiangsu and 4 hsien in Anhwei. The work could not be carried out smoothly in Honan owing to the battles raging there.

II. - Land Loans

In conformity with instructions of the Government, the Farmers' Bank established a Land Credit Department in 1941, to undertake the business of a land bank, assisting the Government to enforce the policy of "equalization of land ownership"<sup>1)</sup>. The Bank is now extending land credits through 57 subordinate units, including 17 branches, 7 sub-branches, 25 offices and 8 sub-offices.

The land credit business of the Bank thrived most brilliantly in 1946. The outstanding balance of land loans granted by the Bank which was CN\$ 316,757,154 at the end of 1945, jumped at the end of 1946 to CN\$ 7,815,740,430 or 25 times the figure for the

EDITOR'S NOTE: 1) For interesting details and comments concerning the "equalization of land ownership" policy adopted by the Chinese National Government, reference is made to "Land Reforms as Conducted by Nationalists and Communists", by Wang Kuo-ting (Monthly Bulletin No. VII - April 1947 - Document 41).

preceding year; while at the end of 1947 it amounted to CN\$ 57,665,822,225, only 7 times the figure for 1946. The reason for the special boom in 1946 was that the total amount of land loans for 1946 originally fixed at CN\$ 4,000,000,000, was later raised to CN\$ 7,800,000,000 in order to meet the high demand during the re-conversion period and also to make up for the loss of true value of the loans resulting from rapid depreciation of the CN currency. On the contrary, as a consequence of the "tightening-up" policy adopted by the Government, the amount of loans for 1947 originally fixed at CN\$ 50,000,000,000 was reduced to CN\$ 36,000,000,000 only.

To meet diverse requirements, the loans were divided into 7 kinds.

(See Table III on next page)

As may be seen from the statistics in the Table mentioned above, the land credits undertaken by the Farmers' Bank during the last three years, have been mainly for land improvement and the assistance of owner-farmers: the former to help local governments and individual farmers to improve the utilization of their land, and the latter helping to enforce the policy of "farmers own their land". Thus the aggregate amount for these two items outstanding at the end of 1945 reached 89.4% of the total amount of land loans outstanding at the same date, this percentage being further raised to 98.61% in 1946 and 90.5% in 1947; while on the other hand the other five kinds of loans added together represented only 10.6% of the total in 1945, 1.39% in 1946 and 9.5% in 1947.

1. Loans for Improving the Utilization of Land.

Loans to improve the utilization of land were of two kinds: those for increasing the fertility and productivity of farm land and those for relieving housing shortage in urban areas.

The Farmers' Bank has made much effort to help the farmers in Kansu province to mix sand with their dry alkaline soil for preserving water in it and making it productive. During the five years from 1942 to 1946, the Bank financed the work of rendering productive a total of 119,676 shih mow<sup>1</sup> of land in 1 municipality and 10 hsien of that province: Lanchow, Kaolan, Teingyuan, Lint'ao, T'ao-sha, Yungtsang, Yuchung, Ching-t'ai, Yungtsing, Huang-huhsiung and Huining; 60% of the land being planted with wheat, 25% with cotton and the rest with vegetables and gourds, with an annual output valued at CN\$ 15,600,000,000.

The Farmers' Bank also assisted farmers to develop waste lands. During the same period 1942-1946 (?), 600,000 shih mow were reclaimed in Fukien, Kiangsi, Kwangsi, Shensi, Hunan and Ninghsia, yielding an annual output valued at CN\$ 6,000,000,000.

EDITOR'S NOTES: 1) 1 shih mow = 6.6667 ares.

2) This is only an interpretation, as the original text does not clearly indicate the period.

Table III. Land Loans Outstanding at the End of 1945, 1946 and 1947

Kind of Loan	At end of 1945	%	At end of 1946	%	At end of 1947	%
Loans for land improvement	CN\$195,002,157	61.50	CN\$8,826,673,410	86.94	CN\$40,629,797,409.10	70.47
Loans to encourage owner-farmers	88,246,564	27.90	915,995,357	11.67	11,551,006,901.61	20.03
Loans for compulsory purchase of land	11,256,500	3.60	7,656,500	0.10	1,573,361,355.09	2.73
Loans for rearranging land registers	9,411,000	3.00	75,000,000	0.96	3,686,000,000.00	6.39
Loans for registration & utilisation of public property in towns & villages	5,090,933	1.60	19,090,390	0.24	135,656,559.54	0.24
Loans for purchase of land	4,000,000	1.30	4,000,000	0.05	80,000,000.00	0.14
Loans for re-demarcation of land boundaries	3,650,000	1.10	3,324,773	0.04		
Total	316,757,154	100.00	7,851,740,430	100.00	57,655,822,225.34	100.00

In the field of relieving housing shortage in urban areas, the Farmers' Bank is reported, in the last 3 years, to have assisted 2,500 families of public servants, teachers and other civilians to construct new houses.

## 2. Loans for Assisting Owner-Farmers.

Loans for the assistance of owner-farmers are subdivided into the following 2 categories:

a) LOANS OF CATEGORY "A" issued to assist local governments in purchasing land to be distributed to farmers. This has been undertaken, since the Victory (?), in small selected areas in Szechuan, Kiangsi, Kansu, Fukien, Hunan and Kwangsi where 180,824 mow of land have been purchased for distribution among 8,780 farming families. (about 20-30 mow for each). The proportions of the work are shown in the following table:

Table IV. Land Distributed to Farmers in the Various Model Districts.

<u>District</u>	<u>Land distributed (MOW)</u>	<u>To No. of families</u>
Peip'ei Experimental District (Szechuan) for encouragement of Owner-farmers	1,428	80
Linghuchen Owner-farmers Model District		
Chipu " " (Hengyang, Hunan)	4,000	200
Huangchihp'ing " " (Kansu, Kiangsi)	1,750	150
Shuinanhsiang " " (Nank'ang, Kiangsi)	4,800	540
Yuchow " " (Shangyu, Kiangsi)	2,240	281
Huanghuich'u " " (Hsinfeng, Kiangsi)	4,500	598
Ch'uanheien " " (Kansu)	41,850	1,263
Tat'anghsiang " " (Kwangsi)	2,906	495
Yumahsiang " " (Yulin, Kwangsi)	2,113	377
Lungyen " " (Kweip'ing, Kwangsi)	2,100	110
	114,137	4,584

b) LOANS OF CATEGORY "B" made directly to farmers or farm organizations to purchase land or to pay off high interest rate loans. Altogether 47,677 proprietary farming families in 72 heiene in Szechuan, Kweichow, Kwangsi, Hunan, Hupeh, Kiangsu, Chekiang, Anhwei, Fukien, Kiangsi, Kansu, Shensi and Kwangtung, have been given financial help of this kind since the Victory, and 699,114 shih mow of land have been either purchased or redeemed.

In order to obtain more money for land loans, the Farmers' Bank has secured authorization from the Government to issue 3 kinds of land debentures:

i/ The first kind, in denominations of \$100, \$500, \$1,000 and \$5,000, and totalling CN\$100,000,000, was issued in 1942, bearing an annual interest of 6%, both principal and interest are redeemable in 15 equal annual instalments.

ii/ The second kind, in denominations of \$5,000, \$10,000 and \$20,000 and totalling CN\$1,000,000,000, was issued in 1946, also, bearing an annual interest of 6%, but redeemable in 7 annual instalments.



iii/ The third kind, in terms of agricultural products, will be issued only upon instructions from the Government in coordination with the latter's land policy in areas recovered from the Communists. These debentures in denominations of 1 shih tan<sup>1)</sup>, 5 shih tan, 10 shih tan, 50 shih tan and 100 shih tan of wheat or paddy rice, and totalling 10,000,000 shih tan of wheat and of paddy rice respectively, will bear an interest of 4% per annum and will be redeemable, principal and interest, in 15 equal annual instalments.

### III. - Activities of the Trust Department of the Bank.

The Farmers' Bank has established a Trust Department with the aim of absorbing idle capital as trust deposits which the Bank will invest in various kinds of useful enterprises, such as the processing and marketing of agricultural products, the export of special products and the transportation of salt.

#### 1. Processing and Marketing of Agricultural Products.

The Trust Department of the Bank has been helping the Government in stabilising commodity prices by promoting the marketing of various agricultural products:

- a) Several stations were set up by the Department, in the autumn of 1946, in cotton producing regions in Shensi and Hupeh, which, with a total capital of CN\$10,000,000,000, purchased cotton and despatched it to Changsha, Hankow and Shanghai, to be utilised by the cotton mills.
- b) The Trust Department has also been producing soy bean oil and cakes in collaboration with the Tung He (Ch'eng Chi) Oil Mill in Ch'angchow, Kiangsu. The soy bean cakes are supplied to the sugar-cane farmers in Taiwan.
- c) Large quantities of timber have been purchased by the Department in Honan, Kiangsi and Fukien and transported to Nanking, Shanghai and Ch'angchow for construction purposes.
- d) With a view to promoting subsidiary occupation in farms, the Department has invested CN\$600,000,000 to purchase straw plait and distributed it among farmers for making straw hats.
- e) The Department in cooperation with the Yang Feng Te Company, has undertaken the exchange of agricultural products, cotton goods and other daily necessities between the Northeast and Shanghai; the Northeast being rich in agricultural products but short of cotton goods and other manufactured goods.
- f) The Bank, in concurrence with farm organisations in various regions, erected a National Agricultural Supply and Sales Company in July 1947, with a capital of CN\$2,000,000,000, and five departments under its management: "cotton", "tea-tobacco", "oil", "foodstuffs" and "supplies". The chief aim of this new institution is to promote the marketing of farm products.

EDITOR'S NOTE: 1) 1 shih tan = 50 Kgrs.

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## 2. Export of Special Products.

Since V-J Day, the Trust Department of the Farmers' Bank has been undertaking the export of Tung oil and raw silk, in cooperation with the China Vegetable Oil Corporation and the Ch'ung Yu and Ch'ien Shan Silk Factories respectively. Details concerning this line of business are not available.

## 3. Transportation of Salt.

During the war years, the Trust Department of the Farmers' Bank used to undertake the transportation and sale of salt produced in Szechuan. After the Victory, however, the marketing of Szechuan salt was much reduced in scale, activities centering on the salt of Huai-an and Huaiyin in Kiangsu and that of Ch'anglu in Hopeh, so as to meet the requirements of the recovered coastal areas. In 1946, the Bank collaborated first with the An I Transportation and Sales Company, and later with the North China Salt Company, in handling the marketing of salt in North China. In the same year, it made investments in the Chung He Salt Company, and handed over to it the marketing of the salt produced at Tzuliuching in Szechuan.

( End )

U N I V E R S I T E L A U R O R E

- S h a n g h a i -

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The Rubber Industry in China.

STUDY NO.: XVIII  
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Remarks: See 4 important  
appendices on p.10 ff.

Articles and reports digested and combined  
in this Study:

- "The Past and Present of the Rubber Industry in Tsingtao", by Lung She-te, the Tsingtao Rubber Factory Quarterly, No.1, May (?) 1947.
- "The Tsingtao Rubber Factory during the First Year after its Taking-Over", by Fu Liang-yun, the Tsingtao Rubber Factory Quarterly, No.1, May 1947.
- "A Review of the Operations of the Tsingtao Rubber Factory during the Past One Year and its Future Prospects", by Chung Ch'i, the Tsingtao Rubber Factory Quarterly, No.1 May 1947.
- "Chemical Industries in the Past 10 Years", by Ku Pao-ch'ang, from "Chinese Economics during the Past Ten Years" Vol.I, published by the Chung Hwa Book Company, Shanghai, Jan. 1948.
- "A Discussion on the Chinese Rubber Industry", by Ch'en T'ao-sheng, Chin Yung Jih Pao (Shanghai), Feb. 26th 1948.
- "Chung Nan Rubber Factory", by Hsieh I-chung, the Industry Monthly Magazine, Mar. 1st 1948.
- "Plan for Developing the Rubber Industry", drafted by the Shanghai Industrial and Commercial Guidance Bureau, Shen Pao (Shanghai), Mar. 9th 1948.
- "Rubber Industry in Shanghai", by Tu Shao-chun, Chin Yung Jih Pao (Shanghai), May 10th 1948.
- "Rubber Industry in Taiwan", by Ping Hsien, Chung Yang Jih Pao (Shanghai), June 14th 1948.

THE RUBBER INDUSTRY IN CHINA

The manufacture of rubber goods is one of the only three light industries which enjoy a relative prosperity in postwar China, the other two being the cotton textile and flour industries. The past evolution and present conditions of the rubber industry as well as the possibility of China's becoming self-sufficient in the supply of rubber articles, should therefore receive due attention from all interested in the economic development of this country.

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I. - Distribution of Rubber Factories  
in Various Parts of the Country.

The rubber industry in China has had a history of 30 years: the first rubber factory having been erected in Canton in 1917. The industry was later developed in Shanghai and then gradually expanded to other cities.

1. Shanghai.

The rubber industry in Shanghai first saw light in October 1921 when the Kiangwan Mo Fan (Model) Factory established a rubber department producing tyres for rickshaws, toys and soles. Owing to the competition of foreign goods, however, the rubber plant was closed down not long afterwards.

A solid foundation for the industry was only laid down seven years later when, owing to the increasing demand for rubber overshoes four rubber goods factories, I Ch'ang, Ta Chung Hua (Great China), Wu Pen and Ya Chou (Asia), sprang up in 1928; and the I Sheng and many other plants came into being in 1929. Rapid progress was achieved in the following two years so that the city already counted more than 40 factories for rubber articles in 1931.

A decline was seen however in 1932. Most of the factories directly or indirectly suffered losses from the battle raging in the Shanghai areas that year. By 1937, twenty-seven new factories had been established while 32 old factories had ceased operating. After the outbreak of the war, 60 to 70% of the rubber plants in Shanghai, mainly scattered in Chapei, Hongkew, Nantao and the western sectors, were demolished by gunfire, looted or occupied by the enemy. Some plants succeeded in moving to the interior, while those operating in the International Settlement and the French Concession were able to survive until Pearl Harbour when the supply of both rubber and power was cut off.

After V-J day, many rubber factories were moved back to Shanghai from the interior. The industry, nevertheless, remained dormant on account of the prevailing international control of the supplies of raw rubber. It was not until March 1947, when the Ministry of Economics allocated 100 tons of rubber to the various plants that the industry began to revive.

There are now 84 factories in Shanghai, possessing 50% of the nation's machinery for manufacturing rubber goods 1). The largest of these factories, are reviewed below:-

a) Ta Chung Hua Rubber Industrial Co., Ltd.

This is the biggest rubber goods manufacturing company in Shanghai, managing altogether 8 plants: 5 rubber factories, 1 machine works, 1 calcium and zinc plant and 1 dyeing

EDITOR'S NOTE: 1) For detailed statistics on the equipment and monthly production of the rubber plants in Shanghai as well as their monthly requirement of raw materials, see Appendices on p.10 ff.

& weaving plant.

The products of the Company cover "Shuang Ch'ien" or "Double Coin" brand automobile tyres, bicycle tyres, rickshaw tyres, pedicab tyres, rubber shoes, overshoes, rubber pipes, hose, rubber gloves, inner bladders for balls, rubber insulated wire, hot-water bags, rubber belts, etc.

Plant No.1 produces monthly 500,000 pairs of rubber shoes, 20,000 sets of bicycle and pedicab tyres; 5,400 sets of rickshaw tyres, 2,600 sets of automobile and aeroplane tyres. Plant No.2 produces monthly: 290,000 pairs of overshoes; and 70,000 pairs of rubber shoes with canvas uppers. Large quantities of rubber shoes and overshoes are being produced by other branch plants.

This Company has opened business offices in Nanking, Hankow, Nanch'ang, Changsha, Chungking, Wenchow and Canton. A new office is being established in Tientsin, and others will be set up in Taiwan and the Northeast.

b) Cheng T'ai Rubber Factory.

This factory, equipped with 43 mixers, 6 calendars, 16 steam autoclaves, 32 vulcanisers, 2 rubber belt presses and numerous other accessory machines, is reported to produce daily as much as 30,000 pairs of various kinds of rubber shoes, overshoes, boots and shoes with canvas uppers; 1,000 sets of tyres and tubes (tyres and tubes for bicycles, pedicabs, rickshaws and automobiles); and 60,000 inch-ply belting for belts and V-belts. Other products are rubber soles and heels, rubber gloves, hot-water bags and rubber insulated wire. All these articles bear the "Hui Li Ch'iu" or "Warrior" brand.

Business offices of the Factory are distributed in Nanking, Wuhsi, Hangchow, Tientsin, Canton, Swatow, Hankow, Chungking, Mukden, Kiangsi and Hunan.

c) I Sheng Rubber Factory.

This factory, possessing 16 mixers, produces annually: 3,600,000 pairs of rubber overshoes; 2,000,000 pairs of shoes with canvas uppers; 300,000 sets of tyres for bicycles, rickshaws and pedicabs. Among other products are rubber gloves, soles and heels. All its products bear the famous "Chien Ku" or "Arrow and Drum" brand.

d) Chung Kuo (China) Shen I Rubber Belt Factory.

This was established in 1933 and was the first Chinese factory to manufacture rubber belts. Its monthly output is 3,300,000 inch-ply for belts. It is said that these belts, made with canvas of excellent quality, are highly elastic and last very long; furthermore, being sold at a reasonable price, they find a good market in all big ports in this country as well as in the South Pacific Islands.

e) Min Sheng Rubber Factory.

This rubber factory, equipped with 7 large mixers, 6 small mixers, 4 steam autoclaves, 1 boiler, and 300 HP motors, produces each month 12,000 dozen pairs of rubber overshoes and 6,000 dozen pairs of rubber shoes with canvas uppers.

f) Ta Tung Industrial Co., Ltd.

This Company has a rubber factory located at 300 Yangtzepoo Road, which possesses 8 mixers and 400 HP motors and produces "San Yuan" brand tires, ebonite fountain pen cases, rollers, soles and heels and other rubber articles.

g) Hua Feng Rubber Goods Manufactory.

Plant No.1 is located at P'an Chia K'u on Wu I Road; Plant No.2 at 272-282 Kiangwan Road and the newly established Plant No.3 at 141 Chung Shan Road (W); each of the three covering an area of about 7 mow<sup>1</sup>).

Their equipment consists of: 13 mixers,  
8 calenders,  
1 horizontal boiler,  
3 vertical boilers,  
5 rubber shoe dryers,  
1 waterproof cloth dryer,  
4 friction machines<sup>2)</sup>,  
1 spreading machine,  
9 machines for stirring latex,  
1 machine for cutting rubber,  
50 newing machines and  
other accessory machines.

h) Yung Ho (or Yung Woo) Industrial Co., Ltd.

This Company was founded in 1918. The rubber department of its Plant No.2 is engaged in manufacturing "Yung" brand overshoes, balls, hot-water bags. It has opened business offices in Nanking, Tientsin, Hankow and Hongkong.

After reviewing the comparatively large rubber factories in Shanghai, it may be interesting to know the total number of persons engaged in the industry in this city, as technicians, workers or ordinary staff members:

Technical staff :	420	
Ordinary staff :	1,034	
Technical workers:	men 3,804	
	women 3,989	
	children 84	7,877
Ordinary workers.	men 3,396	
	women 3,144	
	children 177	6,717
Total:		16,048

EDITOR'S NOTES: 1) 1 mow = 6.745 ares.

2) The friction machine forces the rubber into the textile fabric used as a foundation.

## 2. Tientsin and Peiping.

Tientsin counts 57 rubber factories, the largest being I T'ang (possessing 307 HP motors), Chen Chung (200 HP), Ta Lu (273½ HP), Yueh Hua (166 HP), and Hsin Tientsin (191½ HP); while Peiping has only 5 rubber factories, the comparatively important ones being the Hsin Hua (91 HP) and Ch'i Hsin (84 HP).

The main products in these two cities are bicycle tyres and inner tubes. The number of factories engaged in manufacturing each particular kind of rubber goods is shown in the following table:

Bicycle tyres	41	factories
Soles	21	"
Bicycles inner tubes	20	"
Tyres for vehicles (other than bicycles & motor cars)	14	"
Shoes	7	"
V-belts	6	"
Motorcar inner tubes	5	"
Hose pipes	5	"
Balls	4	"
Inner tubes for vehicles (other than bicycles & motor cars)	4	"
Belts	3	"
Rollers	2	"
Motorcar tyre lining	2	"
Insulating cloth	2	"
Heels	1	"
Rubber electric accessories	1	"
Football bladders	1	"
Basket balls	1	"
Medical tools	1	"

The I T'ang Rubber Factory, which produces "Wheel" brand bicycle tyres and inner tubes and rubber shoes, is now planning to increase its output of rubber shoes with canvas uppers in order to meet the huge demand of the troops massing on the battlefields in North China.

The factories in Tientsin and Peiping are reported to require 771 tons of raw rubber every month. 1)

## 3. Tsingtao.

The rubber industry of Tsingtao dates from 1930 when the Japanese-owned T'ai An and Ta Yu rubber factories came into being. The Chinese started building up their own factories in the following years: the Lung Yu rubber factory in 1930; the T'ung T'ai in 1932 and the Shantung in 1936. Soon after the Chinese Government raised the customs duty on imported rubber goods from 17.5% to 30% in 1933, more Japanese came to Tsingtao and created large rubber factories there, namely: Bridge Stone and

EDITOR'S NOTE: 1) For a detailed list of the quantities of raw materials required by the rubber factories in these two cities, see Appendix IV. on p. 14

Japan in 1935, Hsing Ho in 1936 and Kung Ho in 1938.

It is reported that the output of tyres in Tsingtao before V-J Day represented 50-70% of the total output in North China; of inner tubes, 30-60%; of rubber shoes, 90%.

After V-J Day, the Bridge Stone Rubber Factory was taken over by the Chinese authorities and placed under the management of Ch'i Lu Corporation. Now it is functioning under the new name of the "Tsingtao Rubber Factory". The former Ta Yu Rubber Factory resumed production at the beginning of 1947, under the management of the Military Headquarters. The T'ung T'ai is preparing to resume operation. Other plants have sustained such great damage that they cannot be expected to re-open in the near future.

Things being thus, the present output of tyres from the factories in Tsingtao cannot be more than 60% of what it was before V-J Day and their output of rubber shoes is about 90% of the past production. The present annual production may therefore be estimated as follows:

Bicycle tyres	1,500,000
Bicycle inner tubes	1,750,000
Motorcar tyres	72,000
Motorcar inner tubes	72,000
Rickshaw tyres	223,200
Rickshaw inner tubes	684,000
Rubber shoes	8,604,000 pairs

It seems that these figures will remain approximately the same for the next two or three years.

The Tsingtao Rubber Factory which is the largest of its kind in this port, consists of three departments: the tyre-making department, shoe-making department and weaving department. Working at full capacity, it could attain the following annual output:

Item	Annual output capacity
Bicycle tyres	1,200,000
Bicycle inner tubes	1,800,000
Motorcar tyres	50,000
Motorcar inner tubes	40,000
Rickshaw tyres	150,000
Rickshaw inner tubes	250,000
Rubber shoes	6,000,000 pairs
Conveyor belts	20,000,000 plies
V-belts	80,000
Rubber rollers	30,000

The products of this factory still bear the former "B.S." brand and, besides meeting the local consumption, are sold to Kiangsu, Chekiang, Anhwei, Hupeh, Kiangsi and Taiwan. Large quantities of rubber shoes are supplied to the armed forces of the country.

#### 4. Other Parts of the Country.

a) TAIWAN: This island counts 48 rubber factories; 1 operated by the provincial government and 47 owned by private concerns, scattered in Taipei, Fengyuan, Changhua, Hsinchu, Kao-hsiung and Tainan. They possess altogether 141 mixers and produce



more than 50 kinds of rubber goods, the most important being tyres, shoes, boots, rollers, hose pipes, waterpipes and gloves.

The Taiwan Rubber Co., Ltd. operated by the provincial government, is the largest of all, its production capacity representing more than 60% of that of the whole island. It is able to produce at present about Taiwan Currency \$90,000,000 worth of rubber goods every month, which is said to be equivalent to 130% of the amount of production of the same Company under Japanese management. Its output and sales of tyres, shoes and boots in August, September, October and November 1947 were recorded as follows:

Tyres and Tubes (for bicycles and motorcars)

	<u>Output</u>	<u>Sales</u>
August 1947	2,786	1,430
September "	2,877	3,724
October "	5,186	4,299
November "	6,147	2,759

Shoes and Boots (including sports shoes, rain shoes and boots, long and short boots, etc.)

	<u>Output</u>	<u>Sales</u>
August 1947	29,380 pairs	26,715 pairs
September "	28,967 "	52,600 "
October "	32,631 "	37,338 "
November "	35,639 "	28,580 "

b) CANTON: Notwithstanding the fact that Canton is credited with being the first place in China where a rubber factory was ever erected, the development of the rubber industry in this city has been frustrated by the competition of rubber factories in Hongkong which enjoy a definitely more favourable position both for supplies of raw materials and for sales to various markets. Though the city counts more than 200 rubber plants at present, most of them operate on a rather small scale. The Canton Rubber Industry Guild is reported to have only 61 member factories, operating altogether 112 mixers. Their principal products are rubber shoes which are sold mainly in Kwangsi, Kiangsi and Hunan.

c) CHUNGKING & KWEIYANG: There are altogether 6 plants in Chungking and Kweiyang, operating 32 mixers. The Chungking branch of the Chung Nan Rubber Factory (with its head office in Shanghai) is the largest of all, producing daily 8,000 pairs of rubber shoes and 70 dozen bladders for balls. The daily output of shoes can be raised to 10,000 pairs provided that electric power is regularly supplied. The Kweiyang branch of the same factory is manufacturing mainly spare automobile parts, electric fan belts, bladders for balls and hose pipes.

d) NORTHEAST: The Mukden Rubber Goods Factory in Mukden, under the management of the National Resources Commission, possesses 42 mixers; the Mukden plant of the Northeast Production Administration possesses 22 mixers; the Uniform Plant under the Military Headquarters has 26 mixers and the 3rd automobile Parts Plant of the same Headquarters has 7 mixers. But owing to disrupted communications and lack of raw materials, their output of rubber goods is very limited.

## II. - Raw Materials, Machinery and Self-Sufficiency.

Though the rubber industry in China has a fairly good foundation, it is as yet unable to supply the nation with all the rubber articles needed. This is clearly demonstrated by the sizable imports of rubber goods in last two years:

### Import of Tyres

	1946	1947	December 1947
From:			
USA	79,355	216,982	5,790
India	12,327	15,793	1,940
France	2	7,381	3,542
Great Britain	2,028	5,273	810
Hongkong	306	198	25
...			
TOTAL	<u>96,600</u>	<u>246,968</u>	<u>12,150</u>

### Import of Inner Tubes

	1946	1947	December 1947
From:			
USA	59,893	94,631	4,759
India	4,214	10,608	1,978
France	2	7,442	3,536
Hongkong	31	3,665	3,626
...			
TOTAL	<u>67,768</u>	<u>121,790</u>	<u>15,030</u>

### Import of Rubber Boots and Shoes (including soles and heels) (unit : pairs)

	1946	1947	December 1947
From:			
Hongkong	950,424	1,986,328	200,450
USA	973,631	401,331	492
Straits Settlements & F.M.S	34,593	4,105	650
...			
TOTAL	<u>1,997,877</u>	<u>2,403,871</u>	<u>201,624</u>

The reason for this failure to attain self-sufficiency, lies chiefly in the lack of raw materials and in a few cases also in the lack of machinery.

China, not producing raw rubber herself, needs to import about 4,000 tons monthly to feed her rubber industry. Yet, with a view to curtailing its disbursements in foreign exchange, the Chinese Government has been inclined to cut down the quota for the import of raw rubber which has become inadequate to meet the requirements. Thus the import of raw rubber in December 1947 was reduced to only 1,704 metric tons.

The following table shows the import of old, waste and raw rubber during the years 1946 and 1947, and in December 1947:

Import of Old, Waste and Raw Rubber

	1946	1947	December 1947
From:			
Straits Settlements & F.M.S.	metric 5,548 tons	20,453 m.t.	863.7 m.t.
USA	8,384	14,776	565
Hongkong	5,452	2,043.5	235.8
Indo-china	1,073	792	37.6
Netherlands			
East Indies	2.2	5	5
<b>TOTAL</b>	<b>20,826</b>	<b>38,752</b>	<b>1,704</b>

Besides crude rubber, many other raw materials are required, such as zinc oxide, carbonate, stearine, lithopone, graphite, sulphur, accelerators <sup>1)</sup>, anti-oxidants <sup>2)</sup>, pine tar, Turkey red oil, carbon black dyestuffs, linseed oil, gasoline, fuel oil, paraffin, vaseline, magnesium oxide, paper, etc.

Zinc oxide is produced in this country, but in insufficient quantities. The Raw Material Plant No.1 of the Ta Chung Hua Rubber Industrial Co., Ltd., the K'ai Lin Paint Factory in Shanghai, and the Kuo T'ai Industrial Co. in Hengyang (Hunan) produce at present about 160 tons of zinc oxide each month. The monthly output can be raised to 340 tons in the future.

The domestic supply of calcium carbonate and stearine comes very near to the amount consumed. A total of 700 to 1,000 tons of calcium carbonate is produced monthly by the Raw Material Plant No.1 of the Ta Chung Hua Rubber Industrial Co. Ltd., the Shao Hsin Chemical Works, Ltd., the Mei T'ai Chemical Works, the Ching Hua Industrial Co. and the China Brick and Tile Co. all in Shanghai. A total of about 80 tons of stearine is produced every month by the Chung Fa Olein Factory and the Chung Hua Olein Factory in Shanghai, and the Ch'ing Ming and the Yu Fa Chemical Works in Weichow (Chekiang).

The other raw materials are either not produced in this country or produced only in very small quantities, so that rubber goods manufacturers have to rely upon supplies from abroad.

Besides raw materials, the problem of installing modern equipment also calls for attention. It is certain that in the past restrictions by the Government on the importation of machinery have been an obstacle to the efforts of some industrialists to augment the production of rubber goods and to improve their quality. For instance, both the Ta Chung Hua Rubber Industrial Co. Ltd. and the Cheng T'ai Rubber Factory in Shanghai, shortly after the Victory, placed orders abroad for modern machines which were ready

NOTES: 1) Accelerators: formerly litharge, lime and magnesium oxides were used but they are now commonly replaced by organic compounds such as MERCAPTOBENZOTHAZOLE (Captax) DIPHENYLGUANIDINE, TETRAMETHYLTHIURAMDISULPHIDE (TUADS) and ZINC DIETHYLDITHIOCARBAMATE (ZIMATE)

2) Antioxidants: usually ALDOLALPHANAPHTHYLAMINE or PHENYL BETA-NAPHTHYLAMINE.

to be shipped to this country. But their application to the Government authorities for foreign exchange for the imports did not succeed and the whole affair was suspended. It must be pointed out, in this connection, that if 200,000 sets of motorcar tyres and tubes are imported annually and if each set costs US\$50, China will have to spend US\$10,000,000 every year or US\$30,000,000 in a period of three years. It is estimated that if a sum of US\$30,000,000 is used to buy modern machinery for the manufacture of rubber goods and if the import quota of raw rubber is raised at the same time, China will be able to produce all the rubber goods her people needs.

+ + +

Appendix I. - Mixers Possessed by the Various Rubber Factories in Shanghai.

a. Number of Old Mixers.

Size	Number of sets	Monthly Requirement of raw rubber, each	Total monthly requirement of raw rubber
22" x 55"	2	15 tons	30 tons
20" x 55"	1	15	15
18" x 48"	9	10	90
16-1/8" x 30 1/2"	1	7	7
16" x 48"	2	7	14
16" x 44"	6	7	42
16" x 42"	2	7	14
16" x 40"	4	7	28
16" x 39"	1	7	7
16" x 32 1/2"	2	7	14
15 1/2" x 30 1/2"	1	5	5
14" x 40"	1	5	5
14" x 38"	4	5	20
14" x 36"	236	5	1,180
14" x 34"	16	5	80
14" x 32"	13	5	65
14" x 30"	8	5	40
14" x 28"	2	5	10
12" x 30"	21	3.5	73.5
12" x 28"	26	3.5	91
12" x 27"	2	3.5	7
12" x 26"	4	3.5	14
12" x 25"	1	3.5	3.5
12" x 24"	14	3.5	49
10" x 26"	1	3.5	3.5
10" x 24"	4	3.5	14
<b>TOTAL:</b>	<b>384</b>		<b>1,921.5 tons</b>

b. Number of Mixers Newly Installed

Plant	Type	Number
Ta Chung Hua No.1	10" x 19 $\frac{1}{2}$ "	1
No.2	16" x 42"	1
No.3	14" x 36"	2
	18" x 48"	2
No.4	14" x 36"	1
Chen Hua	11 $\frac{1}{2}$ " x 28"	1
Shih Sheng	14" x 36"	2
Ch'in Kung	14" x 36"	6
Tung Hai	14" x 36"	1
Ta Ya	14" x 36"	3
Hue Nan	14" x 36"	2
Chien Hua	12" x 28"	1
Ch'i Ch'ang	14" x 36"	2
Li T'ai	16" x 44"	6
	14" x 36"	2
Nan Yang	14" x 36"	2
Shuan Lung	14" x 36"	1
I Sheng	18" x 40"	1
Ta Hsing	14" x 36"	1
Ta Hsin Hsing Chi	18" x 40"	1
	12" x 28"	1
Hua Hsing	12" x 28"	1
Kuangtung	11 $\frac{1}{2}$ " x 24"	1
Chung Kuo	14" x 36"	2
Wu Chow	14" x 36"	1
Hung Ta	14" x 36"	1
No.2	14" x 36"	2
No.3	14" x 36"	8
Chung Nan	14" x 36"	2
Ta Lu	14" x 36"	2
Shanghai Rubber Plant under the Navy	14" x 36"	6
<b>TOTAL:</b>		<b>66</b>

Appendix II. - Monthly Production of  
Rubber Articles in Shanghai.

a. Total Monthly Output of Various Rubber Goods.

Item	Monthly Output
Tyres for bicycles, pedicabs and rickshaws	54,915 pairs
Inner tubes of tyres for bicycles, pedicabs and rickshaws	83,742 "
Automobile tyres and inner tubes	4,800 sets
Rubber wheels	540
Rubber for mending tyres	1,000 pounds
Shoes with canvas uppers	4,022,043 pairs
Soles	90,650 pounds
Soles for sports shoes	21,365 "
-----	

NOTE: The Hua Fu has transformed its 9 $\frac{1}{2}$ " x 24" mixer into a 10 $\frac{1}{2}$ " x 24" one and the Huan Ch'iu its 14" x 36" into a 4 $\frac{1}{2}$ " x 36" one.

<u>Item</u>	<u>Monthly Output</u>
Heels for shoes	17,426 dozen
Overshoes	871,378 pairs
Boots	10,400 "
Printing rollers	216
Printing and dyeing rollers	71
Roller for paper making	1
Rubber rollers	1,523
Roll mills	300 pairs
Rubber hose pipes	449
	(total length: 17,300 ft)
	(total weight: 34,009 lbs)
Rubber belting	4,296,981 inch-plies
V-belts	6,000 feet
V-belts for machines	6,512
Ebonite	10,986.25 pounds
Ebonite fountain pen cases	15,000 pounds
Ebonite covers for switches	120 dozen
Ebonite battery cases	115
Telegraph wires	14,000 coils
Wire insulated with rubber and cotton	6,723 "
Wire insulated with rubber only	3,662 "
Rubber wire coils	13,585 pounds
Rubber for covering wires	17,000 "
Rubber insulating tape	10,000 dozen
Rubber sponge	15,000 pounds
Pumps	150 dozen
Pedals	600 gross
Rubber erasers	5,367 pounds
Hygienic appliances (e.g. gloves)	5,000 dozen
Hot-water bags	2,185 "
Balls	146,024 "
Inside bladders for balls	100 "
Rubber tubing	1,400
Rubber thread	18,140 pounds
Rubber bands	7,569 "
Thin rubber sheeting	35,840 yards
Spare parts	3,000
	(total weight: 30,860 lbs)
Pressed and refined rubber	7 tons
Regenerated rubber	12 "

b. Output of V-Belts from Various Factories.

<u>Name of Factory</u>	<u>Average monthly output</u>	<u>Maximum monthly output</u>
Central Chemical Works under the National Resources Commission	500,000 inch-plies	1,000,000 inch-plies
Ta Lai Industrial Co.	368,331	800,000
Chen I Rubber Belt Fty.	251,812	503,625
Wu Chow Rubber Goods Fty.	129,427	300,000
Cheng T'ai Rubber Fty.	129,242	1,300,000
TOTAL	1,378,812	3,903,625

c. Output of Rubber belts from Various Factories.

<u>Name of Factory</u>	<u>Average monthly output</u>	<u>Maximum monthly output</u>
Shen I Rubber Belt Fty.	2,268,314 inch-plies	3,500,000 inch-plies
Cheng T'ai Rubber Fty.	1,345,478	14,000,000
Chung Nan Rubber Fty.	800,000	1,200,000
TOTAL	4,413,792	18,700,000

Appendix III. - Monthly Requirement of Raw Materials for the Rubber Industry in Shanghai.

(According to current information)

<u>Item</u>	<u>Originating in</u>	<u>Monthly Requirement</u>
Raw rubber	South Pacific islands, Singapore.	1,800 tons
Accelerators	USA	27 "
Anti-oxidants	USA	18 "
Calcium carbonate <sup>1)</sup>	Shanghai	1,800 "
Carbon black	USA, China	450 "
Coal	North China, Shanghai	3,240 "
Copying paper	Norway	45 "
Fuel oil	USA, England	1,800 "
Gasoline	USA, England	270,000 gallons
Graphite	Taiwan, USA	200 tons
Draft paper	Norway	100 "
Linseed oil	South America, USA, Tientsin	45 "
Litharge	Shanghai, USA	54 "
Lithopone	Shanghai, USA, England, Belgium, Holland.	270 "
Machine oil	USA	27,000 gallons
Magnesium carbonate	Chakiang	90 tons
Magnesium oxide	USA	9 "
Manila paper	Shanghai, USA	36 "
Oil black	USA	3.5 "
Paraffin wax	USA	36 "
Pigments	Shanghai, USA	1.8 "
Pine tar	USA	18 "
Press buttons	Shanghai, USA	25,000 gross
Shoe eyelets	Shanghai, USA	108,000,000
Stearic acid	USA, Shanghai, Chungking, Wenchow.	36 tons
Sulphur	Hunan, Taiwan, USA	54 "
Vaseline	USA	18 "
Zinc carbonate	Shanghai, USA	18 "
Zinc oxide	USA	450 "

NOTE: 1) According to other reliable estimates, the actual consumption is not likely to exceed 350 tons.

Appendix IV. - Monthly Requirement of Raw  
Materials for the Rubber Industry  
in Tientsin and Peiping.

(cf. Rubber Industry Guild of Tientsin and Peiping)

<u>Item</u>	<u>Monthly Requirement</u>
Raw rubber	771 tons
Accelerators	12 "
Anti-oxidants	8 "
Calcium carbonate	771 "
Carbon black	192 "
Copy paper	19 "
Gasoline	5,400 gallons
Lithopone	115 tons
Litharge	23 "
Machine oil	5,400 gallons
Magnesium carbonate	38 tons
Magnesium oxide	4 "
Manila paper	15 "
Oil black	1,400 lbs.
Paraffin wax	15 tons
Pigments	0.8 "
Pine tar	8 "
Shoe eyelets	10,350,000 grains
Stearic acid	15 tons
Sulphur	23 "
Titanium oxide	8 "
Vaseline	8 "
Zinc carbonate	8 "
Zinc oxide	192 "

( End )



U N I V E R S I T E L ' A U R O R E

- S h a n g h a i -

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Rules Governing the Application of  
the Revenue Stamp Duty Law

Annex No.: LVII

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RULES GOVERNING THE APPLICATION  
OF THE REVENUE STAMP DUTY LAW

Article 1.

These Rules are laid down in accordance with the provisions of Article 31 of the Revenue Stamp Duty Law (hereafter mentioned as THIS LAW.

Article 2.

The organisation appointed by the Ministry of Finance to issue revenue stamps shall contract with post offices, public and private banks and other properly constituted juridical persons, for the sale of the stamps on commission. It shall give to these sales agents a commission of from two to five per cent, to be deducted from the receipts from the sale of stamps. But each month a statement of the amount of the commission must be prepared and sent to the organisation which issued the stamps, together with a receipt for the revenue stamp duty paid. These shall then be audited and the corrected accounts sent to the Treasury.

Article 3.

The "educational, cultural or charitable institutions and cooperative societies" mentioned in item 6 of Article 4 of this Law shall all be institutions or juridical persons established in conformity with the law.

Article 4.

The "duplicates or copies" mentioned in item 7 of Article 4 of this Law shall be those only which bear exactly the same contents as the original document upon which revenue stamps have already been affixed.

Article 5.

The "documents used internally, not involving any external obligations", mentioned in item 8 of Article 4 of this Law, shall be documents used by an institution or organisation within its own offices for mutual notification between various departments. Documents exchanged by the branch offices and head office of an institution or organisation shall not be regarded as documents issued for internal use.

Article 6.

The "bills pressing for the payment of debts", mentioned in item 9 of Article 4 of this Law, shall be overdue account bills issued at the pre-determined time of payment or according to custom, on the occasions of the New Year or of festivals, and only giving the amounts of the debts. But bills specifying names, quantities and prices of articles, which are sent to customers requesting them to pay their accounts without the issue of any other invoice or receipt for money, shall not be regarded in this sense as bills pressing for the payment of debts.

The "bills used for the auditing of accounts" mentioned (in the same item of the same Article) shall be statements issued by banking institutions or commercial firms to their customers for the purpose of checking any errata in the payment and receipt accounts.

Article 7.

When as mentioned in the second paragraph of Article 6 of this Law, the revenue stamp duty for commercial documents has been paid in a round sum, if there has been any payment in excess, no application may be filed for refund.

Article 8.

Where any document drawn up outside the country is used as mentioned in Article 11 of this Law, the person using it shall be held liable for affixing the revenue stamps.

Article 9.

When in conformity with the provisions of Article 14 of this Law, a government office or school issues any document which is subject to revenue stamp duty, and the recipient has been made to affix the appropriate amount in revenue stamps, it shall also verify that the amount of stamps affixed is correct and that none of the stamps have been removed (from another document) and used again, and shall require any necessary readjustments to be made immediately. If any document is issued without revenue stamps being affixed thereon or if the document is stamped without the necessary readjustments, the resulting responsibility for violation of the law shall fall upon the person who issued or stamped the document.

Article 10.

Where according to the provisions of this Law, the recipient of a document should deduct the cost of the revenue stamps he has affixed or behalf of (the party issuing the document), if there is any violation of the law, the resulting responsibility shall fall upon the recipient.

Article 11.

The "official price" mentioned in Article 15 of this Law shall mean the price approved or decided by government

authorities. Where there is no official price, the current price on the local market shall be taken as basis.

Article 12.

The names of documents given in the Annotation column of the Table of Duty Rates of Article 16 of this Law are only explanatory examples given for each category of documents. Those documents which are definitely of the same nature as the documents in a certain category, even though not cited among these examples, shall still have revenue stamps affixed on them according to the duty rates prescribed for that category. Where the nature of a document cannot be positively decided, the case shall be reported to the Ministry of Finance for decision.

Article 13.

Any public or private enterprise or business organized as a Company, which has not yet issued formal share certificates, must affix revenue stamps to the temporary receipts for money received for shares or for increase of capital, as is done on receipts for money. They may alternatively be affixed collectively on the account book for registering capital, but if they are affixed collectively on the account book for registering capital an explanatory note must also be added to the temporary receipts.

Article 14.

The "document of principal debt and document of accessory debts" mentioned in the third paragraph in the Annotation column under item 6, "Contracts of Loan or Indebtedness or Deeds of Pledge" of the Table of Duty Rates of Article 16 of this Law, must recognize the relationship of principle and accessory in all the documents of any kind produced by one and the same act of loan, pledge or indebtedness. If any change takes place in the obligation or in the parties concerned in the transaction, it can no longer be recognized as one and the same act.

Article 15.

Revenue stamps shall be affixed on the "renting or lease documents" mentioned under item 22 of the Table of Duty Rates of Article 16 of this Law, according to the aggregate amount of guarantee money and of rent paid per term as specified on the document.

If the rent is to be paid in kind and in proportion to the future production of the object leased, the quantity of products representing the amount of rent for the first term of lease, shall be estimated at its money value according to current prices, and then revenue stamps shall be affixed accordingly.

Article 16.

The actual total amount of receipts shall be calculated and registered monthly on the receipts or books for the remuneration of services mentioned in item No. 35 of the Table of Duty Rates of Article 16 of this Law, and the correct amount of revenue stamps shall be affixed on each of them. It shall not be allowed to draw up separate receipts so as to evade reporting the amounts received.

Article 17.

Where their time limit has been agreed upon beforehand the different documents subject to the revenue stamp duty according to this Law, shall be valid within that time limit. Where the time limit of the documents is set at the end of the year, their

validity shall expire at the end of the year. Documents which continue to be in use after the above time limits have expired shall have new revenue stamps affixed on them.

Article 18.

The investigation of the revenue stamp duty laid down in Article 17 of this Law, besides being governed by the provisions of this Law and these Rules, shall be enforced in conformity with the Regulations governing the Investigation of the Revenue Stamp Duty 1) drawn up by the Ministry of Finance.

Article 19.

If any officials investigating revenue stamp duty conduct the investigation without carrying a warrant as laid down in Article 18 of this Law, the persons subject to investigation shall not accept their authority.

Article 20.

When according to the provisions of Article 20 of this Law, investigators have discovered that any documents are in contravention of this Law and seek to remove them for report and examination, whatever may be the number of the documents which contravene the Revenue Stamp Duty Law, receipts for them shall always be issued to the party concerned. If actual requirements render it impossible to remove the documents, the persons subject to investigation shall prepare a statement of the contravention of the Revenue Stamp Duty Law and give it to the investigators who shall transmit it to a judicial organ for examination and judgment.

Any investigator who has on his own account arbitrarily imposed any punishment or granted exemption from punishment, shall be severely punished according to the Law.

Article 21.

Denunciations of documents contravening this Law as provided for in Article 21 of this Law, shall be made to the local competent revenue stamp duty office.

If while performing his duties, any public functionary discovers any document in contravention of this Law, he shall denounce it to the local competent revenue stamp duty office. But, if in the course of legal proceedings, a local judicial organ makes such a discovery, it may impose a direct punishment.

The competent revenue stamp duty office shall, immediately upon receiving the denunciations mentioned in the above two paragraphs, despatch officials to conduct an investigation.

Article 22.

If as mentioned in Article 24 of this Law, the carrying out of the investigation has been obstructed, the policemen and the headmen of the Pao Chia concerned who have assisted (the investigation) shall give witness to the case, and the participating investigators shall prepare a report of the facts and send it to the competent office which shall write to the local judicial organ requesting it to examine and judge the case according to the law.

EDITOR'S NOTE: 1) These Regulations were promulgated on the 6th of August, 1947.

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Article 23.

"Violations of the provisions of this Law" as mentioned in Article 25 of this Law, shall refer to violations of Articles 6 to 12 and Article 13, such as entire or partial failure to affix revenue stamps, failure to stamp the revenue stamps which have been affixed or failure to stamp them according to the provisions or the use of revenue stamps removed (from another document).

Article 24.

When a judicial organ has imposed a fine for any violation of this Law with regard to any document, after the fine and the revenue stamp duty prescribed in Article 27 have both been paid, the party responsible for the document may show the receipts to the judicial organ and request it to return the document immediately.

Article 25.

The multiplier for the readjustment provided in Article 30 of this Law shall be calculated by taking the ratio of the index number of wholesale commodity prices throughout the country for February of the thirty-seventh year (of the Chinese Republic) <sup>1)</sup>, as basic figure, to the index number of wholesale commodity prices throughout the country for the month preceding the readjustment. The formula of computation is as follows:

Multiplier for readjustment =  
index no. of wholesale commodity prices throughout the country for the month preceding the readjustment, divided by  
index no. of wholesale commodity prices throughout the country for February of the thirty-seventh year (of the Chinese Republic)

In computing the above-mentioned multiplier, it shall be taken correct to the nearest whole number, i.e. four tenths being left out of account and five tenths taken as one.

If the multiplier for readjustment is less than five, the Ministry of Finance may temporarily delay the readjustment of the duty rates.

Article 26.

If any regulations or explanatory precedents existing before the enforcement of this Law, are in contradiction with the provisions of this Law, those parts of them which are in contradiction shall lose their validity as from (the date of) enforcement of this Law.

Article 27.

These Rules shall come into force on the same date as the Revenue Stamp Duty Law.

( End )

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EDITOR'S NOTE: 1) i.e. year 1948.

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U N I V E R S I T E L ' A U R O R E

- S h a n g h a i -

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Commodity Tax Regulations

Annex No. LVIII

Revised and promulgated by the  
National Government  
on the 2nd of April 1948;

Number of pages: 7

Published in the Weekly Review  
of Laws (Fa Ling Chou K'an),  
May 5th 1948.

Remarks: Translated by  
our Legal Department.

COMMODITY TAX REGULATIONS 1)

Article 1.

Except where it is otherwise provided, commodity tax shall be levied according to these Regulations on all commodities specified therein, whether they are produced or manufactured in this country or are imported from abroad.

Article 2.

The commodity tax is a State tax and shall be collected by the commodity tax offices under the Bureau of Taxation (Shui Wu Shu) of the Ministry of Finance.

Article 3.

The following commodities shall be subject to the commodity tax:

- 1) Rolled Tobacco: comprising all kinds of Cigarettes made with rolls of tobacco enclosed in cigarette paper, Cigars made with tobacco leaves, as well as Foreign-style Tobacco.
- 2) Flue-cured Tobacco Leaf.
- 3) Foreign Wines and Beer: comprising all kinds of foreign-style wines manufactured in this country,

EDITOR'S NOTE: 1) The Commodity Tax Regulations were first promulgated by the National Government on Aug. 16th 1946, and were successively revised on Nov. 26th 1946, on Mar. 21st 1947 and most recently on April 2nd 1948.

For further details our readers are referred to Monthly Bulletin No. VII - April 1947 - Document 44 & No. VIII - May 1947 - Document 46: "A Comprehensive Study of Taxation on Commodities in China", by Yang Ta-soong.

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- with the exception of alcohol.
- 4) Matches: referring both to those made with phosphorus sulphide and to safety matches.
  - 5) Sugar: including brown and white sugar, orange sugar, crystal sugar, cube sugar, lump sugar and refined sugar.
  - 6) Cotton Yarn: comprising machine-made unbleached cotton yarn, singed cotton yarn, cotton yarn waste, yarn made with artificial cotton and all other kinds of cotton yarn.
  - 7) Woollen Yarn and Woollen Thread: comprising woollen yarn and woollen thread, and yarns and threads made from wool mixed with other fibres.
  - 8) Furs.
  - 9) Cement.
  - 10) Beverages: comprising aerated water, fruit juice, fruit syrup, etc.
  - 11) Tin Foil and Paper used for Superstitious Purposes: referring to all kinds of tin foil and paper used for superstitious purposes.
  - 12) Cosmetics: including hair pomade, brilliantine, face powder, rouge, shaving soap, lipstick, perfume, nail polish and eyebrow pencil.

Article 4.

The rates of the commodity tax shall be as follows:

1) Rolled Tobacco:	100%	ad valorem
2) Flue-cured Tobacco Leaf:	30%	" "
3) Foreign Wines and Beer:	100%	" "
4) Matches:	20%	" "
5) Sugar:	25%	" "
6) Cotton Yarn:	7%	" "
7) Woollen Yarn and Woollen Thread:	15%	" "
8) Furs:	15%	" "
9) Cement:	15%	" "
10) Beverages:	20%	" "
11) Tin Foil and Paper used for Superstitious Purposes:	60%	" "
12) Cosmetics:	45%	" "

Article 5.

The taxable value of a commodity subject to the commodity tax shall be computed on the basis of its average whole-sale price over two months on the markets near the producing region.

The above-mentioned average wholesale price covers:

- (a) The taxable value of the commodity concerned;
- (b) The original commodity tax to be paid, i.e. the tax rate to be applied to the taxable value of that commodity;
- (c) The expenses for transporting the commodity from the producing region to a nearby market, being fixed at ten per cent of the taxable value.

The assessed taxable value 1) =  
average wholesale price on markets near the producing region X 100,  
divided by (100 + tax rate on the commodity concerned + expense  
for transporting from the producing region to a nearby market i.e.  
10)

All goods whose price has been agreed on by a  
government office may be dealt with according to the provisions of  
the preceding paragraph, taking the agreed price as the basis for  
computing the taxable value.

In order to facilitate the examination of goods  
subject to commodity tax and the levying of the tax, the Ministry  
of Finance may, after consideration of the circumstances, adopt a  
graded tax. The method of computing this graded tax shall be laid  
down by the Ministry of Finance.

Article 6. The examination of the selling price of goods of  
all kinds subject to the commodity tax, the compilation of the index  
number for commodities and the estimation and revision of taxable  
values shall be carried out by an Appraisal Committee set up by the  
Bureau of Taxation. Regulations governing its organisation and  
rules for appraisal shall be laid down by the Ministry of Finance.

The members of the above-mentioned Appraisal  
Committee shall be appointed by the Ministry of Finance from among  
the heads of the departments concerned.

Article 7.

Any of the commodities specified in Article 3,  
which are imported from abroad, besides paying customs duty, shall  
be subject to the commodity tax according to the value estimated  
by the Customs House.

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EDITOR'S NOTE: 1) The formula is arrived at by substituting in the  
original equation:

$$W.P. = T.V. + \frac{25 T.V.}{100} + \frac{10 T.V.}{100}$$

$$100 \times W.P. = T.V. (100 + 25 + 10)$$

$$T.V. = \frac{W.P. \times 100}{(100 + 25 + 10)}$$

(W.P. = Whole Price; T.V. = Taxable Value)

To illustrate: let the average wholesale price  
per 100 Shih Chin (or 110.23 lbs) of sugar be  
CN\$10,000,000, and the tax rate 25% ad valorem; and let  
the expenses of transport be 10% of the taxable value.  
Then:

$$\begin{aligned} \text{The taxable value} &= \text{CN\$10,000,000} \times 100 \div (100 + 25 + 10) \\ &= \text{CN\$7,407,407.40.} \end{aligned}$$

$$\begin{aligned} \text{and} \\ \text{The tax payable} &= \text{CN\$7,407,407.40} \times 25\% \\ &= \text{CN\$1,851,851.85.} \end{aligned}$$



Article 3.

When any commodity for which the commodity tax has already been paid, is transported and sold within this country, no local government is allowed to levy any further tax thereon.

If a commodity is exported after it has paid the commodity tax, this tax shall be refunded. Important goods for export which are to be exported directly from the producing factory may be exempted from commodity tax according to regulations laid down by the Ministry of Finance.

Article 9.

The various competent commodity tax offices shall station officials in factories and depots to collect the tax on taxable commodities produced within this country. In special circumstances, the collecting officials may be directly appointed by the Bureau of Taxation. If it is inconvenient to station officials in a factory or depot, the competent commodity tax office may investigate and find out the amount of production and collect the tax at stated intervals, or the merchant shall report production to the local competent commodity tax office which shall collect the tax according to the law. The Customs House, when levying customs duty on commodities imported from abroad, shall also act as tax collector.

Article 10.

After the commodity tax has been paid for commodities, documents certifying tax payment shall be issued as provided below; the commodities may then be sold.

- 1) Rolled Tobacco, Matches, Foreign Wine, Beer, Beverages and Cosmetics:

The taxation office or the officials stationed in the factory shall issue and affix a certificate of inspection: i/ on each smallest-sized package of rolled tobacco; ii/ on each package of ten small boxes of matches; iii/ on the sealed opening of each smallest-sized container of foreign wine, beer or beverages; iv/ on the sealed opening of each smallest-sized container of cosmetics or on each regulation unit package. They shall see that revenue stamps are affixed on each case or package. If the commodities are declared to be transported to other places, a transportation permit shall be filled in and issued. But if a factory of foreign wines, beer or beverages has complete equipment and has installed calculators on its machines according to which the total output can be known, it may apply to the Ministry of Finance for approval to stamp on the container: "Commodity Tax Already Paid", and for a taxation receipt to be issued.

- 2) Cotton Yarn, Blue-cured Tobacco, Sugar, Woollen Yarn, Woollen Thread, Ribs, Tin Foil and Paper used for Superstitious Purposes:

The taxation office or the officials stationed in the factory or in the depot shall fill in and issue taxation receipts and see that a stamped permit is affixed on each package.

- 3) Wheat Flour and Cement:

The taxation office or the officials stationed

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#### 4) Commodities Imported from Abroad:

The merchant, after securing a Certificate of Payment of the Commodity Tax upon payment of the tax to the Customs House, shall request the competent commodity tax office to issue in exchange documents certifying tax payment as provided above.

### 5) Tax Free Commodities for Export.

The competent commodity tax office shall, after checking up, issue a certificate of tax exemption.

6) Commodities already Taxed:

In the case of break of bulk, the competent commodity tax office shall, after checking up, issue a permit for break of bulk. Where repacking or reprocessing is necessary, the tax office shall see that a certificate of repacking or reprocessing is affixed on the repacked or reprocessed commodities.

Article 11.

Article 11. If any company, factory, shop, firm, storehouse or trader engaged in the production, manufacture, transportation, storing or selling of goods subject to commodity tax, or buying and selling them on behalf of customers; or any owner of such goods, commits one of the following offences, the goods shall be confiscated and a Fa Huan fine <sup>1)</sup> imposed, of not more than ten times the amount of tax evaded. Contraventions of the criminal law shall be punished according to that law.

- c

EDITOR'S NOTE: 1) The term Fa Huan is used for a fine of a civil character under civil law, or of a fiscal character, imposed for breaches of taxation laws; in both cases it is imposed for offences, which do not come under the penalties of the criminal law.

- 11) Glandestinely altering or using a second time a taxation receipt, transportation permit, permit for break of bulk, revenue stamp, certificate of inspection, stamped permit, certificate of repacking or reprocessing, certificate of tax exemption, or certificate of payment of the commodity tax issued by the Customs House;
- 12) Failure actually to affix on the package or container the revenue stamps, certificate of inspection, stamped permit or certificate of repacking or reprocessing;
- 13) Any evasion of tax or illegitimate claim for refund of tax made, by using forged taxation receipt, transportation permit, permit for break of bulk, revenue stamps, certificate of inspection, stamped permit, certificate of repacking or reprocessing, certificate of tax exemption, certificate of payment of the commodity tax at the Customs House, or seal of an office.
- 14) Failure to declare for taxation, as prescribed, imported commodities subject to the commodity tax, upon their arrival from abroad.

If any commodity evading the tax in the above ways, has already been sold and hence cannot be confiscated, besides punishment according to the law and payment of the price of the commodity, the payment of the tax shall still be enforced.

In the case of surreptitious manufacture of commodities subject to the commodity tax, besides the confiscation of these commodities according to the provisions of this Article, the machines, instruments and raw materials used in their surreptitious manufacture, may also be confiscated.

Article 12.

If any company, factory, shop, firm, storehouse or trader engaged in the production, manufacture, transportation, storing or selling of goods subject to commodity tax, or buying and selling them on behalf of customers; or any owner of such goods, commits one of the following offences, a Fa Huan fine not exceeding five million dollars shall be imposed.

- 1) Failure to register as prescribed;
- 2) Failure to make declaration according to the prescribed procedure or false declaration;
- 3) Break of bulk or change of destination of already taxed commodities without the necessary permit;
- 4) Sale of already taxed commodities during transit without applying to the local commodity tax office for permission;
- 5) Transporting and selling already taxed commodities without applying for inspection as prescribed;
- 6) Transporting and selling imported commodities for which a certificate of payment of the commodity tax has been secured from the Customs House, but without applying for the exchange of this (provisional) certificate against the prescribed document certifying the payment of the commodity tax.
- 7) Tearing off used stamps, certificates or permits with the intention of using them again, if this is proved by evidence;
- 8) Returning secretly to the factory old packages or containers without washing off the old stamps, permit or certificate of inspection affixed thereon;

- 9) Refusing investigation; if in contravention of the criminal law, it shall be punished according to that law.

Article 13.

No factory for rolled tobacco or paper nor merchant dealing in paper, in this country, shall manufacture, buy, sell, or transport paper used for rolling tobacco, without the permission of the Bureau of Taxation or the competent commodity tax office.

If the above provisions are contravened, the commodity shall be confiscated and a Fa Huan fine not exceeding ten times the price of the paper shall be imposed. The business may further be closed down.

Any failure to make declaration as prescribed or any false declaration, when manufacturing, buying, selling or transporting paper used for rolling tobacco, shall be punished with a Fa Huan fine not exceeding five million dollars.

Article 14.

The Fa Huan fines and confiscation provided for in the preceding three Articles as well as the closing down of business mentioned in the preceding Article shall be enforced by court ruling.

An appeal may be filed within five days after service of the above-mentioned ruling. But no further appeal shall be made.

Article 15.

If any merchant is in arrears for the payment of his tax, the commodity tax office may request the court to prescribe a time limit for making the payment, failing which the court shall enforce payment.

If a merchant is declared bankrupt according to the law, the payment of the above-mentioned arrears of taxation shall be given priority.

Article 16.

The Ministry of Finance shall lay down rules governing the collection and inspection for each kind of commodity tax and its registration, and also the manufacturing, purchasing, selling and transportation of paper used for rolling tobacco; and shall submit them to the Executive Yuan for confirmation.

Article 17.

These Regulations shall come into force on the date of promulgation.

( End )

U N I V E R S I T E L ' A U R O R E

- S h a n g h a i -

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Regulations Governing Application for  
Registering Profit-seeking Enterprises  
and Business Offices of Members of  
Liberal Professions.

Annex No.: LIX

Annex concerned: Nos. I  
& LIII

Revised and promulgated by the Ministry  
of Finance on the 18th of May 1948.

Number of pages: 4

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Remarks: Translated by  
our Legal Department.

REGULATIONS GOVERNING APPLICATION FOR  
REGISTERING PROFIT-SEEKING ENTERPRISES  
AND BUSINESS OFFICES OF MEMBERS OF  
LIBERAL PROFESSIONS 1)

Article 1.

These Regulations are laid down in conformity with  
the provisions of Article 161 of the Income Tax Law 2).

Article 2.

Applications for registering profit-seeking  
enterprises and business offices of members of liberal professions,  
shall be made in accordance with these Regulations.

Article 3.

All newly founded profit-seeking enterprises or  
those which are reopened or continue to exist after reorganisation,  
merger or transfer of ownership, shall, within fifteen days after  
inauguration of business, apply to the local competent collecting

EDITOR'S NOTES: 1) This new revision brings about only slight  
changes in the former Measures Governing Appli-  
cation for Registering Profit-seeking Enterprises  
and Business Offices of Persons in Liberal Pro-  
fessions of October 28th 1947 which contain the  
same number of Articles (cf. Monthly Bulletin  
No.XIV - Jan. 1948 - Annex XLI). For the prin-  
cipal changes or innovations, compare Articles  
3,4,5,8 and 15 of the two texts.

2) The Income Tax Law was recently revised and  
promulgated on the 1st of April 1948 (cf. Monthly  
Bulletin Nos.XVII & XVIII - April & May 1948 -  
Annexes I & LIII).

MONTHLY BULLETIN NO.XIX - June-July 1948 - Annex No.LIX - Page 1

office for registration and the issue of a Certificate of Income Tax Registration in Category A; in filling in the Application for Registration, they must give the following particulars:

- 1) Trade name and address of the firm, and if principal, branch and sub-branch stores are established, the address of each.
- 2) Full name, ages, native places and addresses of the responsible persons.
- 3) The amount of the actual capital; full names and addresses of the shareholders and their respective subscriptions. But in the case of stock companies limited and other limited companies, the "full names" and other items concerning the shareholders may be replaced by the full names and addresses of the directors and supervisors and their subscriptions, and in the case of joint companies and joint stock companies, they may be replaced by the full names and addresses of shareholders of unlimited liability and their subscriptions.
- 4) The nature of the organisation; If it has already been registered as a company 1) or a commercial firm 2), the date when the registration was approved and the character and number of the certificate. If the firm has joined a guild, that guild and the date, character and number of the membership certificate.
- 5) Type of business, accounting year and date of inauguration of business.

Article 4.

A profit-seeking enterprise, when applying for registration, and the issue of a certificate, shall furnish a guarantee for the payment of taxes. But profit-seeking enterprises established and registered in conformity with the Company Law 1) or Commercial Registration Law 2), public enterprises operated by any grade of government and enterprises jointly operated by the Government and private interests, shall be exempted from furnishing the guarantee.

The guarantee for paying taxes as mentioned above shall be given by a well-to-do shop with an adequate amount of capital. Once the guarantor commercial firm has filled in a tax payment guarantee, it shall be held responsible for all the tax paying liabilities of the guaranteed commercial firm. If for any reason the guarantee is to be cancelled, this shall be reported to the local competent collecting office, and the responsibility of the guarantee shall not cease until the guaranteed commercial firm has obtained another guarantee for its tax payments.

EDITOR'S NOTES: 1) For provisions governing the registration of companies, see the Company Law promulgated by the National Government on the 12th of April 1946.

2) For commercial registration, see the Commercial Registration Law promulgated by the National Government on the 28th of June 1937. For a new Draft of the Commercial Registration Law drawn up by the Ministry of Finance, reference may be made to Monthly Bulletin No.XIII (Dec.1947) Annex XXXVI.

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Article 5.

Any member of a liberal profession with a business office shall, within fifteen days after the inauguration of his business, apply to the local competent collecting office for registration and the issue of a Certificate of Income Tax Registration in Category B; in filling in the Application for Registration, he shall set forth the following particulars:

- 1) Name and address of the business office; and if branch and sub-branch offices are established, the address of each.
- 2) Full names, ages, native places and addresses of the responsible persons.
- 3) If the responsible persons or those who are doing the business have a certificate, the date, character and number of the certificate, and if they have joined a guild, that guild and the date, character and number of the membership certificate.
- 4) Type of business and date of inauguration of business.

Article 6.

If any profit-seeking enterprise has established branch stores or business offices, or if the business office of any member of a liberal profession has established branch offices, each of these branch stores or business offices, or branch offices shall, in accordance with the procedure provided in Article 3 or 5, apply for registration and the issue of a Certificate of Income Tax Registration in Category A or B.

Article 7.

A profit-seeking enterprise which is to cease operating on account of merger, dissolution, transfer of ownership or suspension of business, or a member of a liberal profession whose business office is to be closed, shall, within fifteen days preceding the cessation of business, fill in an Application for Cancelling Registration, and submit it together with the original Certificate of Income Tax Registration, to the local competent collecting office, thus applying for the registration to be cancelled.

Article 8.

A profit-seeking enterprise or a member of a liberal profession, whose business office is to change its name or responsible persons or to be moved to another location, or a profit-seeking enterprise which is to change the type of its business, shall, within the fifteen days preceding the change or removal, fill in an Application for Altering Registration, submit it together with the original Certificate of Income Tax Registration, to the local competent collecting office and apply for the registration to be altered and a new Certificate issued.

Article 9.

A profit-seeking enterprise whose capital amount is increased or decreased, shall, within fifteen days after such increase or decrease, fill in an Application for Altering Registration, submit it together with the original Certificate of Income Tax Registration, to the local competent collecting office and apply for the registration to be altered and the issue of a new Certificate.

Article 10.

If a Certificate of Income Tax Registration has been lost, an Application for Renewing the Registration Certificate

shall be filled in within five days and submitted together with the text of an announcement in the newspaper or documentary evidence from the local chamber of commerce or guild, to the competent collecting office so that a new Certificate may be issued.

Article 11.

If a Certificate of Income Tax Registration has been damaged, an Application to Change the Registration Certificate shall be filled in within five days and together with the damaged Registration Certificate, submitted to the competent collecting office so that the Certificate may be changed for a new one.

Article 12.

The competent collecting office, shall, within fifteen days after receiving any of the preceding Applications from a profit-seeking enterprise or a business office of a member of a liberal profession, send officials to conduct an investigation, and according to the case, approve, issue, exchange or cancel the Certificate of Income Tax Registration.

Article 13.

The competent collecting office shall enter different kinds of applications of profit-seeking enterprises and of business offices of members of liberal professions, into classified files and also prepare Registers classified according to Location of Premises and to Type of Business; furthermore registrations or corrections thereof shall be made at any time.

Article 14.

If a profit-seeking enterprise or the business office of a member of a liberal profession has lost a Registration Certificate, but fails to apply for a new one to be issued, or fails to return it for cancellation at the proper time, or sells, transfers or hires it out for use by others, the applicant who originally secured the certificate shall be held responsible for all the obligations to pay taxes resulting from the original Certificate.

Article 15.

If, in contravention of the provisions of these Regulations, the responsible person of any profit-seeking enterprise or any member of a liberal profession fails to apply for the registration to be made, cancelled or altered within the prescribed time limit, the competent collecting office shall impose punishment as provided in Article 146 of the Income Tax Law.

Article 16.

These Regulations shall come into force on the day of promulgation.

( End )